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ABSTRACT

The document reports a study for the California State Department of Education to provide clarification of existing studies and reports on the cost of special education in California. Chapter 1 covers the background of the study, purpose and plan, study design (which included review of existing cost reports and studies and structured interviews with key personnel), method of procedures (including the identification of issues related to special education costs), and overview of the report. Chapter 2 compares various data related to levels of service, degree of service, revenue and expenditures, numbers of pupils served, and regulatory provisions of the two major delivery systems. Chapter 3 focuses on funding inequities within districts operating Master Plan programs, and disparities in funding and service between Master Plan and non Master Plan districts. Chapter 4 deals with a variety of factors which have been identified as affecting cost and also gives some indication of the distribution of expenditures. Emphasis is given to projections of enrollment and cost. Also examined within the fourth chapter are direct costs, direct support costs, and indirect costs. Chapter 5 provides a discussion of alternative funding mechanisms and includes a review of the two funding models currently being used in California as well as those used in other states. The proposed funding model in State Bill 1870 is reviewed in terms of how well it addresses the problem areas identified in the study. Among appendixes are a sample interview guide and tables listing special education costs, allocations, and expenditures. (SB)

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COST OF SPECIAL EDUCATION PROGRAMS IN CALIFORNIA

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Principal Investigator

Prepared Under Grant 57-B201-80-3293-7100
to
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by the
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FORWARD

Statement of Funding

The study reported here was part of a program of studies in Special Education conducted by the Sacramento Area Office of Decision Development Corporation.

The study was carried out from December 1, 1979 to June 30, 1980 under the auspices of the Special Studies supported by Grant No. 57-B201-80-3293-7100 between the California State Department of Education and Decision Development Corporation.

Disclaimer

The full report is reporduced here in this form for distribution as a technical report under the grant. Results of this study are the sole responsibility of the investigators. Official endorsement of the California State Department of Education is not implied.

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The project staff included Gerald P. Peterson, Director; R.F. 'Dick' Keefe, Principal Investigator; Janet D. Jamieson, Research Coordinator; Melody Johnson, Project Secretary and Penny McCullagh Wallace, Editor.

Thanks is expressed to the state and local agencies which so generously cooperated in this study.

Dick Keefe
Principal Investigator

July 31, 1980
Date

ABSTRACT

From December 1, 1979 to June 30, 1980, Decision Development Corporation conducted a study for the California State Department of Education to provide clarification of existing studies and reports on the cost of special education in California. A total of 18 interviews were conducted with key personnel in various state agencies to identify relevant data, and issues related to cost. Over 76 documents developed from 1976 to 1980 were identified and collected for analysis. The study identified and analyzed several major issues related to cost including: sources of revenue, levels of service, effectiveness, and staffing. A major focus of the study was a comparative analysis between Master Plan and non-Master Plan funding models and delivery systems in terms of variations in levels of service, degree of service, revenue and expenditures, numbers of pupils served, and regulatory provisions. Cost factors such as distributions of expenditures and projections of enrollment and cost were also examined, as were funding inequities within Master Plan, and between Master Plan and non-Master Plan districts. An analysis of pending special education legislation, Senate Bill 1870, was also conducted in terms of the factors identified in the earlier studies. Major findings supported the immediate need for a single funding and service model for delivering special education programs in California. The limitations and problems in the current bifurcated system were noted, and the inequity in terms of both services and costs throughout the state was identified. The recommendations include the need for a better cost reporting system, equitable funding base for all districts, and controls in the form of staff-student ratios and levels of appropriate service. A final recommendation for requiring assurances of quality in local plans is also included.

Summary of Findings

1. The funding mechanisms established for distributing finances for special education programs in California have resulted in unequal State support for Master Plan and non-Master Plan school districts. Master Plan districts currently receive 41% more state funding than non-Master Plan districts.

2. School districts and county offices of education presently do not have equal opportunities to provide special education services to children. This is partly due to inequities in funding, but is more closely related to regulatory provisions which control the usage of funds and the services provided.

3. The development of the funding model to support the Master Plan for special education did not adequately account for varying needs of Responsible Local Agencies (RLAs to provide services as necessitated by local conditions. Nor did it allow sufficient latitude to account for pupils receiving more than one service. This resulted in an annual shortfall in statutorily prescribed funding for the Master Plan.

4. As a result of the annual shortfall in statutory funding, the method of allocating funds to Master Plan agencies has varied from year to year. This has caused inequities in the distribution of funds with some RLAs being overfunded and others underfunded.

5. The issue of whether or not the cost for non public shcool placement is greater or less than that incurred by public school placement cannot be resolved by a simple comparison of average cost per pupil. The largest percentage of non-public school placements is in the area of the learning handicapped and those placed in other programs are not sufficient in

number to compare to the full range of services offered in the public sector. Non-public school placements also include a small percentage of residential placements which have a tendency to skew the non-public school costs.

6. Any problems related to program overlap which might affect cost are of little consequence in terms of the overall cost of Special Education.

7. The passage of Proposition 13 has reduced the capabilities of local school districts to support special education programs to virtually a zero base without infringing upon local revenue which has been generated for use in the regular education programs. The non-existence of a tax base for special education in local districts prior to Proposition 13 means that none of the remaining tax funds to which a district is entitled were intended for use in special education programs and consequently should not be diverted from their intended use now. The one exception sould be that portion of the revenue limit for students assigned to special classes which is still included in the local share of funding.

8. Various studies have expressed a belief that full implementation of the California Master Plan for Special Education would increase the total cost of providing special education services to a prohibitive level. The anticipated increase is attributed to the assumption that the 11% enrollment cap of the Master Plan would include more children than might be expected otherwise. This may not be true, however, as Public Law 94-141 mandates services for all eligible pupils indicating the service level could increase to 11% regardless of the type of delivery system in effect.

Estimates of the State Department of Education project the cost per pupil of Master Plan districts to be $127 less than for non Master districts during the 1979-80 school year. If this is so then the projected cost to

provide special education services within the Master Plan concept would be less than if the services were provided in accordance with the current categorical structure.

9. Enrollments in Master Plan programs have fallen approximately 2.8% short of that which was expected each year during the phase-in schedule.

10. Neither of the two funding models currently in use in California would fully meet the needs of the state to adequately comply with provisions of Public Law 94-142 (PL 94-142) and at the same time remain within the limits of available funding. Funding for the current categorical programs is inadequate while the student eligibility standards are rigid and complex. Funding for Master Plan programs is also inadequate and this inadequacy is made more pronounced by the lack of appropriate eligibility standards.

11. In its final form S. B. 1870 has addressed most of the major issues discussed in this report. It appears to give consideration to such factors as local variables and geographic differences, variations in levels of service, equating growth with funding etc. It also indicates a series of internal controls which, when fully implemented, should work to stablize cost.

It does not appear that the issue of encroachment on local funds nor that related to capital outlay needs has been fully resolved.

12. Inclusion of the 10% funding limitation may eventually be challenged and found in violation of PL 94-142. It is believed that physical factors such as insufficient staff will limit additional enrollment sufficiently to protect this limit without stating it in the law. Internal controls on pupil-staff ratios, eligibility standards, and definitions of appropriate levels of service can also be effective cost control factors.

13. Present systems for reporting special education data do not

lend themselves to identifying specific high and low cost elements of special education programs with transportation being a major exception.

Summary of Recommendations

1. We recommend that funding for all school districts and county offices be equalized as rapidly as possible.

2. We recommend that some action be taken to permit districts equal opportunities to provide the same levels of special education services whether or not funding is equalized.

3. We recommend that every effort be made to insure a funding level high enough to support the services which are mandated, and that the funding level be reviewed annually and adjustments be made when a discrepancy is determined to exist.

4. We recommend that the State accept the full responsiblity for funding the full cost of special education programs that are in excess of funds to which a district is entitled through PL 94-142, and the local share of revenue limited funding for students in special classes and centers.

5. We recommend that the State Department of Education consider the annual shortfall that the current RLAs have experienced in projecting costs for any funding mechanism proposed for special education programs.

6. We recommend that the development of any new funding model contain provisions to guard against over and under funding and that if such inequities do develop, the State Department of Education be required to make the necessary adjustments within a specified period of time.

7. We recommend that the Department of Education take no action in regards to overlap of programs and services unless further evidence which is indicative of an existing problem is presented.

8. In the interests of economy the State should move toward a delivery system for special education that is comparable to the Master Plan in concept.

9. We recommend that the State Department of Education utilize data derived from the process for certifying non-public schools and make a cost comparison program by program after excluding the costs for non-public school placement in a residential setting.

10. We recommend that the State move as quickly as possible toward a delivery system that is comparable to the Master Plan for Special Education.

11. Any weaknesses or oversights of S. B. 1870 should be corrected with "Trailer" legislation at the earliest possible time. Those sections of the bill which related to evaluation, audits, and information should be given top priority by the Department of Education to ensure that necessary legislative and administrative changes can be initiated quickly and effectively when a need arises.

12. We recommend that SB 1870 not contain a 10% funding and that other provisions be put in the legislation to control costs.

13. We recommend that a system be developed for use in special education programs which isolates the high cost areas and permits an adequate evaluation of these cost items.

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CHAPTER ONE

INTRODUCTION

When the California Master Plan for Special Education was first implemented as a three year pilot program in 1975, it represented a drastic change not only in the delivery system for providing special education services to handicapped individuals, but in the basis for funding those services as well. It was among the first full service special education programs to be tried anywhere in the nation, and in many respects was the catalyst for Public Law 94-142 which mandates a free appropriate education for all handicapped children throughout the United States.

Implementation of the pilot Master Plan for special education in California was not without problems related to increased costs, work loads, and personnel needs. The enactment of PL 94-142 at the national level imposed many of the same conditions and problems upon the traditional or non Master Plan school agencies of the state. As a result there was increased pressure to provide a single system for the delivery of services to the handicapped children of California. In response, the Legislature enacted Assembly Bill 1250 in 1977 to provide for a statewide phase-in of the Master Plan by 1981-82. Funding to support the phase-in was provided by Assembly Bill 65 (1977).

The movement toward full implementation of the Master Plan signaled substantial changes in the numbers of children to receive special education services and the methodology for delivering these services as well as a substantial increase in the costs related to special education. The anticipated increase in cost precipitated a number of studies to establish estimates of the extent of such costs and to explore means of controlling

or limiting the costs. The present study analyzed previous studies in an effort to assimilate the most effective aspects of each into a workable solution for funding special education programs in California.

Background

Prior to 1975 all special education programs in California, with the exception of Development Centers for the handicapped, were funded in the same manner. The funding mechanism or model for these programs was based on an excess cost formula. Stated simply, this meant that additional funding was provided for students with handicapping conditions who could benefit from such services in addition to their regular educational program and at a cost in excess thereof. There were 28 such programs that provided services for the educationally handicapped, mentally retarded, and pupils having a variety of physically handicapping conditions.

In 1974, the California Legislature enacted AB 4040 which marked the beginning of the California Master Plan for Special Education. Following a three year pilot program involving ten Responsible Local Agencies (RLAs), AB 1250 was passed into law mandating the Master Plan for all school districts in California by July 1, 1981.

There were several major differences between the Master Plan and the traditional categorical programs. The Master Plan funding model was service-based for four instructional and three support components. It mandated or permitted programs and services for students and age levels not served in traditional programs. It minimized labeling, instituted additional assessment levels, provided procedural safeguards, and developed a new instructional component--the resource specialist program.

Beginning in 1977, traditional and Master Plan programs were required to conform to PL 94-142 which mandated a free appropriate education for all handicapped pupils. From 1975 on, both program delivery systems were subjected to numerous studies which compared costs, sources of revenue, levels of service, effectiveness, and staffing. This study provides a comparative review of these previous studies and reports.

Since the implementation of the California Master Plan for Special Education, special education programs and services within the state have been subjected to extremely close scrutiny. Paramount in the concerns expressed has been the increasing number of children who become eligible for special education services and the parallel increasing costs resulting as these children are provided the educational opportunities mandated by law.

In 1973 the State Department of Education stated, "The total special education program currently serves 434,000 individuals with exceptional needs . . . It is projected by the 1980-81 school year, 155,000 additional individuals will be served if the Master Plan for Special Education is implemented." The same source of information indicates, "The State assumes approximately two-thirds of the cost of the special education programs above the level of the foundation program and the local education agencies bear the remainder." The cost in this case was projected to be $453.5 million for the 1980-81 school year.[1]

By contrast the most recent estimates of the State Department of Education presented to the Legislature in January of 1980 show an estimated enrollment of only 363,200, but with an estimated expenditure of $902.3 million for the 1979-80 school year.[2]

During the intervening years there have been a number of studies

completed in an effort to:

1. Alleviate the discrepencies between projections and reality.
2. Meet the mandates of providing the required special education services.
3. Develop an affordable basis for funding special education programs in California.

In August of 1979 the State Department of Education authorized an additional study to clarify some issues raised in previous studies. This report has been developed as a result.

The project is unique because it is essentially a review and analysis of previously conducted studies and reports. The goal of the project is to identify relationships and/or differences among previous studies and reports which may have contributed to the apparent misunderstanding and confusion which has characterized the funding of special education programs during the past several years. Neither new data nor new applications of existing data have been developed. Nearly all personnel who had responsibility for the various studies, reports and data gathered by the project staff, have been available for personal interviews. They have, in effect, become unpaid consultants to the project.

Purpose and Plan

Although there have been several major efforts at understanding issues related to the cost of special education in California, there exists a great deal of ambiguity and uncertainty in the current state of knowledge. This ambiguity is primarily a result of different agencies assessing costs for a wide variety of purposes. The inconsistency in methodological

approaches used to analyze cost-related issues has also contributed to the current confusion. This study attempts to provide a clarification of the existing data on special education costs through an analysis and comparison of these various cost studies and reports with actual cost data reported to the State Department of Education.

Study Design

The study design required the collection and review of all existing cost reports and studies developed by various agencies and independent contractors from March 1976 through June 1980. No study or report prepared prior to March 1976 was included in the documents gathered for analysis.

The data set was identified and collected through structured interviews with key personnel who either had initial responsibility for developing the report, or were associated with agencies that had conducted an investigation. In all, over 18 individuals were interviewed, and over 76 individual pieces of data identified and collected for analysis.

The interview guide (Appendix A) also provided a means to collect information regarding the identification of major cost issues that might be addressed within this study effort. In addition to interviews with individuals in various state agencies, a systematic review of materials from the archives of the State Board of Education and the State Advisory Commission for Special Education was conducted.

The data collected was then screened for content and cataloged to develop the conceptual framework used for analysis. A comparative analysis was conducted which examined the data set in terms of methodologies, assumptions, and conclusions. This analysis assisted in identifying variations

in data interpretation and conclusions among the primary studies, and provided the basis for developing a framework within which we examined a set of factors related to the cost of special education.

Method of Procedure

The initial attempts at data review produced in excess of eighty documents all of which had some implications for the cost of special education. These were screened for content and catalogued into four broad areas for further analysis. This activity resulted in the selection of fourteen documents to be considered as primary studies and are the basis for our comparative study. They are as follows:

I. Department of Finances, The California Master Plan for Special Education - 1977.

II. Department of Finances and Department of Education - Joint Audit of Three R. L. A.'s - 1977

III. Office of the Legislative Analyst, Current Issues in Special Education - 1977

IV. Office of the Auditor General; Special Education Warrants Review - 1979

V. Office of the Legislative Analyst. Report to the Legislature Joint Interim Hearing - 12/79

VI. Los Angeles County Superintendent of Schools. Fiscal Considerations of the Master Plan for Special Education in California - 1978

VII. Los Angeles County Superintendent of Schools, Governance, Organization and Administration of Special Education in California - 1979

VIII. Office of the Auditor General, Financing and Administration of Programs for Handicapped Pupils - 1980

IX. State Department of Education, Annual Evaluation Reports of the California Master Plan for Special Education - 1976, 1977, 1978

X. State Department of Education, Estimated Costs of Special Education in California - 1977-78, 1978-79, 1979-80.

The matrix illustrated in Table I identifies a number of broad topics which have been discussed in the studies. These are sub-categorized to allow for further comparison. Not all topics have been discussed in the same context, nor to the same degree from study to study. The table, however, does provide a ready reference to identify areas of commonality as well as providing the reader a ready source for locating additional information.

The time limits for this study were established from March 1976 through June 1980. No study or report prepared prior to March 1976 is included in the documents gathered for analysis. It is recognized that data for fiscal year 1979-80 are estimates, since final tabulations will not be available until after this study has been completed. The established time limit is consistent with the State Department of Education's request for proposals to conduct this study and within the period established by the Department.

The following were also identified as potential sources of information for the study:

1. State Department of Education
   a. Office of Special Education
   b. Office of Governmental Affairs
   c. Bureau of Local Assistance
   d. Office of Program Evaluation and Research
   e. State Board of Education
   f. State Advisory Commission on Special Education
2. Office of Legislative Analyst
3. Office of the Auditor General
4. State Department of Finance
5. Office of Assembly Research
6. Office of Senate Research
7. Office of the Republican Caucus

Key personnel in each unit listed above were interviewed. For the most part they were persons who had been involved in the development of or

TABLE 1

A Comparison of Content
Special Education Cost Studies 1977-1980

ISSUES ADDRESSED	Dept. of Finance 1977	Depts. of Finance & Education 1977	Legislative Analyst 1977	Auditor General 1979	Legislative Analyst 1979	Los Angeles County 1978	Los Angeles County 1979	Auditor General 1980	S.D.E Report to Legislature 1977-79	S.D.E MR Eval Report 1976-78
A. Funding Revenue										
1. Master Plan	X	X	X	X	X	X	X	X	X	X
2. Non-Master	X		X	X	X		X	X	X	
3. Federal	X		X	X	X		X	X	X	X
4. State	X		X	X	X		X	X	X	X
5. Local	X		X	X	X		X	X	X	X
6. Other								X		
B. Expenditures-Cost(By)										
1. Categorical Prog	X	X	X		X	X				
2. Instruc. Setting	X		X	X	X	X	X	X	X	
3. Direct Cost	X	X		X		X			X	X
4. Direct Support	X	X		X		X			X	X
5. Indirect Cost	X	X		X		X			X	X
C. Method of Funding										
1. Prog. Model	X	X				X				
2. Services Model	X					X	X	X		
3. Weighed Factors	X						X	X		
4. Per Capita								X	X	
5. Other	X							X		
D. Historical Background	X		X	X				X		X
E. Governance-Special Education		X				X				

	Dept. of Finance 1977	Depts. of Finance & Education 1977	Legislative Analyst 1977	Auditor General 1979	Legislative Analyst 1979	Los Angeles County 1978	Los Angeles County 1979	Auditor General 1980	S.D.E Report to Legislature 1977-79	S.D.E MR Eval Report 1976-78
F. Common Cost Consideration										
1. Enrol/Proj. K-12				X	X	X	X	X	X	
2. Enrol/Proj. Sp. Ed.	X		X	X	X	X	X	X	X	X
3. Incid. of Handicaps	X		X							
4. Inflation	X		X		X	X		X	X	
5. Student/Teacher Ratio	X		X	X			X			
6. Transportation	X	X				X	X			
7. Population Variables							X	X		
8. Extended Year		X						X		
9. Administrative Costs	X	X	X				X	X		
10. Assessment Costs	X	X	X					X		X
11. Capital Outlay						X	X			
G. Other Cost Issues (By)										
1. Ed. Services										
a. Other Agencies	X			X						
b. State Sp. Schs.	X									
c. Non-Public Schs.	X	X		X	X	X	X			
2. Program Overlap			X					X		
3. D.C.H. Costs					X	X	X		X	
4. Fair Hearings					X	X	X			
5. Staff Development	X		X			X				
6. Mngmnt Inf. System				X		X	X	X		
7. Elig. Criteria	X		X			X	X	X		
H. Proposition 13					X	X			X	X

were familiar with the studies previously listed. Individually and collectively they identified the following as additional or continuing issues related to the costs of special education programs.

1. The need for reliable data on the actual amount of local funds used for special education.
2. Cost of non-public school placements.
3. The need for program eligibility criteria.
4. A movement toward the services available as the determinant for student need versus student needs determine programs and and services.
5. The effects of high student mobility rate on the cost of providing services.
6. The problem of "overlap" of categorical services and resources.
7. The need to examine cost effectiveness of using a "child study team" as a screening process.
8. The need to determine guidelines for the delivery of appropriate levels of service.
9. The need to identify actual costs of specific programs or services.

Not all of the issues identified above are within the scope of this report which had a primary focus to summarize and critique previous studies on a consistent basis in an effort to establish the reliability of cost data that currently exists. The findings of the study are compatible with the concepts of funding for special education as adopted in S. B. 1870. To the extent that these differ from the recommendations and projections of previous studies, the objective has been achieved.

Presentation of the Data

This report consists of four subsequent chapters in which major factors related to cost of special education are identified and discussed.

Chapter two compares various data related to levels of service, degree of service, revenue and expenditures, numbers of pupils served, and regulatory provisions of the two major delivery systems. Chapter three focuses on funding inequities within districts operating Master Plan programs, and disparities in funding and service between Master Plan and Non-Master Plan districts. Chapter four deals with a variety of factors which have been identified as affecting cost and also gives some indication of the distribution of expenditures. Major emphasis in the chapter is given to projections of enrollment and cost. Chapter four also examines direct costs, direct support costs, and indirect costs. Chapter five includes a comprehensive discussion of alternative funding mechanisms. It includes a review of the two funding models currently being used in California as well as those used in other states. The final discussion of this chapter centers around SB 1870 which is now in the legislative process and, if enacted, will provide an alternative funding model for all of California next year. The proposed funding model in SB 1870 is reviewed in terms of how well it addresses the problem areas identified throughout the study.

Footnotes - Chapter One

1. See Annotated Bibliography III B.
2. Report to the Legislature, State Department of Education, January, 1980

CHAPTER TWO

DISPARITIES IN FUNDING AND SERVICE

Since 1975, special education in California has been provided under two distinctly different systems. The traditional or categorical system serves the majority of students in special education and represents 28 different program offerings. Under the categorical system, placement and services are determined by handicapping condition (i.e., blind, mentally retarded, educationally handicapped, etc.), and available instructional settings include a variety of special class offerings, remedial instruction, individual and small group instruction, and to some extent related services. Special transportation is a support component under this classification. Funding under the traditional system is based upon average daily attendance (ADA) generated by pupil attendance in each categorical setting, and is considered to be calculated on the basis of excess costs, where there is full or partial reimbursement for costs in excess of those necessary to provide for the education of a student in the regular education program.

The remainder of the handicapped students in California are served in programs identified within the scope of the California Master Plan for Special Education. The Master Plan, initiated in 1975 as a pilot program, was mandated to become the single delivery system for special education services in the state by 1981. Legislation for this change was contained in AB 1250 which became Chapter 1247, Statutes of 1977. The Master Plan places an emphasis on providing special education services in accordance with the needs of individual students rather than placement by specific handicapping condition.

Instruction under the Master Plan is provided through four instruc-

tional components: (1) Special Classes and Centers, (2) the Resource Specialist Program, (3) Designated Instruction and Service, and (4) Non-Public School Services. In addition to the instructional components, the Master Plan provides funding for three support programs: (1) Management and Support Services (2) Identification, Assessment, and Instructional Planning, and (3) Transportation. The Resource Specialist Program is unique to the Master Plan and is considered to be one of its more effective components. Although the Master Plan is not a full cost reimbursement program, it currently approaches that level of funding.

Federal special education legislation (PL 94-142) was enacted in 1975, and among other things, mandated a free appropriate education for all handicapped individuals between the ages of 3 and 21.[2] Public Law 94-142 also provided for substantial increases in Federal funds to support special education. However, it is now apparent that the actual Federal appropriations by 1981 will be considerably less than the $145 million originally estimated.[3] All school districts in California must comply with the mandates of PL 94-142, whether they maintain special education programs in the traditional categorical manner, or operate under the Master Plan. For those districts implementing the Master Plan this has not imposed a great burden, since the requirements of the Master Plan parallel or exceed those of PL 94-142. Compliance for non-Master Plan districts has been more difficult for two major reasons:

a. Funding changes for non-Master Plan districts has not kept pace with the need for services, and

b. regulatory or legal changes which have been instituted since the enactment of PL 94-142 have dealt with technical aspects such as "procedural safeguards", rather than increased flexibility of program offerings.

A great deal of concern has been expressed that the level of special education services offered by Master Plan and non-Master Plan districts is not equal throughout the state. For example, as the 1979 review by the Auditor General points out:

a. Master Plan districts report a lower percentage of unserved or inadequately served children. (Master Plan 2.9%; non-Master Plan 10.9%)

b. Master Plan districts report a lower percentage of their special education enrollment in special classes. (Master Plan 25.4%; non-Master Plan 31.8%)

c. Master Plan districts report a higher percentage of students served in the Resource Specialist (RS) program than are served in a similar, but somewhat different Learning Disability Group (LDG) program for non-Master districts. (Master Plan 35.6%; non-Master Plan 21.9%)

d. Master Plan districts report a lower percentage of students in Designated Instructional Services (DIS) compared to what non-Master Plan districts report for related services. (Master Plan 38.2%; non-Master Plan 45.1%)

e. Master Plan districts report lower percentages of students in non-public school placement than do non-Master Plan districts. Master Plan 0.8%; non-Master Plan 1.2%)

Variations in Funding

A review of the studies completed to date suggests that the variation in services between Master Plan and non-Master Plan districts is at least

partially due to differences in the level of state funding. Table 2 indicates quite clearly that Master Plan districts and non-Master Plan districts do vary in their funding sources. Master Plan districts receive approximately 74% of their special education support from state sources while non-Master Plan agencies receive slightly more than 50%. Non-Master Plan districts also provide twice as much local support for special education as Master Plan districts. To equalize the state and local effort for Master Plan and non-Master Plan would require an additional $129.3 million in state funds for non-Master Plan districts.

Table 3 demonstrates the relationship of expenditures per pupil from each source of funds and the total expenditures. It is apparent that regardless of the source of funds, the total expenditures per pupil in Master Plan and non Master Plan districts are not significantly different. If anything they are higher for the non Master Plan districts. The dollar amount of funds per pupil from federal sources is somewhat lower than the amount generally accepted for any particular year. This is attributed to the fact that allocations for a particular year are based upon pupil count from a previous year rather than an increased pupil count at the time funds are reviewed and expended.

Table 2

Estimated Special Education Revenue
Master Plan and Non-Master Plan
By Source in $ Millions

Source of Funds	MASTER PLAN 1977-78 Actual	%	1978-79 Actual	%	1979-80 Estimated	%	NON-MASTER PLAN 1977-78 Actual	%	1978-79 Actual	%	1979-80 Estimated	%
State Contribution	$64.7	68.7	$131.6	74	$200.8	74.3	$278.6	45	$331.3	51	$328.7	53.5
Federal Contribution	1.2	1.3	8.0	5	16.8	6.2	22.2	4	38.8	6	35.8	6.0
Local Contribution	28.2	30.0	37.8	21	52.7	19.5	313.7	51	278.3	43	257.5	40.5
TOTAL	$94.1	100	$177.4	100	$270.3	100	$614.5	100	$684.4	100	$632	100

*The data has been extracted from State Department of Education reports to the Legislature for the years indicated. All figures have been rounded off.

Table 3

Expenditure per Pupil
Master Plan and Non-Master Plan
By Funding Source**

	Master Plan	Expenditure Per Pupil	Non-Master Plan	Expenditure Per Pupil
1977-78				
Enrollment	43,711		291,711	
State Funds	$64.7	$1,480	$278.6	$ 955
Federal Funds	$ 1.2	$ 28	$ 22.2	$ 76
Sub Totals	$65.9	$1,508	$300.8	$1031
Local Funds	$28.2	$ 645	$313.7	$1075
TOTALS	$94.1	$2,153	$614.5	$2106
1978-79				
Enrollment	78,173		271,176	
State Funds	$131.6	$1,683	$331.3	$1222
Federal Funds	$ 8.0	$ 102	$ 38.8	$ 143
Sub Totals	$139.6	$1,785	$370.1	$1364
Local Funds	$ 37.8	$ 484	$278.3	$1026
TOTALS	$177.4	$2,269	$648.4	$2391
1979-80				
Enrollment	112,800		250,400	
State Funds	$200.8	$1,780	$228.7	$1353
Federal Funds	$ 16.8	$ 149	$ 35.8	$ 143
Sub Totals	$217.6	$1,929	$374.5	$1496
Local Funds	$ 52.7	$ 467	$257.5	$1028
TOTALS	$270.3	$2,396	$632.0	$2524

*For purpose of comparison, programs operated by County Superintendents of Schools or school districts have been combined for Non Master Plan. This is consistent with Master Plan reporting. Data has been derived from reports of the State Dept. of Education and the Office of the Legislative Analyst.

Variations in Cost

Average revenue and average cost do not generally give a true indication of the extreme factors contributing to the total data. For example; Table 4 illustrates data in terms of ranges from high to low for the 1977-78 school year for the RLAs then in operation and data collected from a sampling of school districts serving a comparative number of students at the same time in a non Master Plan traditional program. Since the data on Table 4 is sample data, the traditional programs may not include an equitable proportion of students served by County Offices of Education and therefore may not provide a valid comparison with Master Plan programs which include services offered by all participants of the RLA. The sample data, however, does indicate that:

1. for special classes the cost for Master Plan districts was twice as high at the upper end of the range and approximately 50% greater at the lower end. The differences can be partially attributed to the fact that Master Plan special classes were staffed with at least one full time instructional aide, while many non Master Plan special classes had only part time assistance, and in some cases had none at all.[5]
2. in comparing the Resource Specialist Program (RSP) programs with the LDG programs the range of differences in cost are not as great as might be expected between the two delivery systems. However, non Master Plan districts show both the highest and the lowest extremes in terms of cost.
3. This cost data is somewhat unexpected as the RSP requires a full time resource specialist aide for each program and the LDG program

does not. The additional cost for a Resource Specialist aide is partially offset by a higher case load, averaging 25 in the RS program and 20 in the LDG program.[6] Table 4 also indicates that greatest variation in range of expenditures is found in comparing the DIS and Related Services. In this situation, traditional programs reported both the highest and lowest cost per pupil. Again variations in case load appear to have a significant impact upon cost. Case loads for DIS personnel in Master Plan averaged 25, while those providing Related Services in non Master Plan averaged 51.

TABLE 4

Range in Average Expenditure per Pupil
Master Plan and Non Master Plan
By Instructional Setting
1977-78

SAMPLE DATA

Delivery System	Special Classes		Resource SP/LDG		DIS/ Related Services	
	High	Low	High	Low	High	Low
MASTER PLAN	$7,111	$3,231	$1,770	$1,288	$1,227	$545
NON-MASTER PLAN	$3,554	$2,188	$1,843	$ 959	$2,910	$316

To provide a more complete picture, State wide data for average expenditures per pupil by instructional setting is presented in Table 5 for 1977-78, 1978-79 as reported, and 1979-80 as estimated.[8] This data clearly indicated that in many respects the cost per pupil in the two delivery systems has changed dramatically over the last three years, especially in special classes and the RSP/LDG programs. For special

classes, the percentage increase in cost for non Master Plan districts has been 43% greater than those for Master Plan, and the dollar amount per pupil expended has shifted from $349 less for non Master Plan in 1977 to $56 more in 1979.

TABLE 5

Average Expenditure per Pupil
Master Plan and Non-Master Plan
By Instructional Setting
1977-1980

Delivery System	Special Classes	Resource Sp/LDG	DIS/Related Services
1977-78			
Master Plan	$4,369	$1,477	$ 946
Non-Master Plan	$4,020	$1,544	$ 478
1978-79			
Master Plan	$4,731	$1,635	$1,165
Non-Master Plan	$4,646	$2,389	$ 686
1979-80			
Master Plan	$5,015	$1,733	$1,235
Non-Master Plan	$5,071	$2,388	$ 726
% of Increase			
Master Plan	14.8%	17.3%	30.5%
Non-Master Plan	26.1%	54.7%	51.8%

Data in Table 5 further indicates:

1. that for the RSP/LDG programs the percentage increase (17.3% to 54.7%) for non Master Plan exceeds that of Master Plan by 316% while the per pupil cost for non Master Plan in 1979-1980 exceeds that for Master Plan by $655.
2. that relative costs for DIS/Related Services have also changed, but not to the same degree; nor in the same direction as special classes or RSP/LDG program costs. In 1977 the cost per pupil for DIS in Master Plan districts exceeded that for non Master Plan Related Services by $468. By 1979 the differences increased to $509 even though the percentage increase for non Master Plan districts during the same period of time was 51.8% compared to 30.5% for Master Plan. If the pupil teacher ratio of 1 to 25 for these services in the Master Plan and 1 to 51 for non Master Plan are considered the cost differential becomes quite comparable.

Regulatory Considerations

The two delivery systems for special education in California each function within limitations imposed by the California Education Code and the California Administrative Code, Title 5. These legal requirements and regulations establish the parameters within which each system can provide special education services to children.

The Master Plan provides for a great deal of flexibility in the way special education services can be delivered. For example:

1. Services are provided to all individuals with excep-

tional needs whose special education needs cannot be met by modification of the regular school program by the regular classroom teacher.

2. Services are provided on the basis of individual need within four broad areas of handicapping conditions (i.e., physically handicapped, communicatively handicapped, learning handicapped, and severely handicapped).
3. Services are provided within four instructional settings (i.e., special classes or centers, Resource Specialist program, Designated Instruction and Services, or non public school placement).

Although the non Master Plan delivery system includes many of the same program options available under the Master Plan, the delivery of such services is more restrictive. For example:

1. Services are provided to eligible individuals identified or diagnosed as having a specific handicapping condition. Additional services provided for some handicapping conditions are not permitted for others.
2. Services are geared to provide remedial or supportive insturction in 28 different classifications or subclassifications of physically handicapped, mentally retarded, and educationally handicapped.
3. Services are provided in similar, but not identical instructional settings as for the Master Plan (i.e., special classes and Developmental Centers for the Handicapped, learning Disability groups, Related Ser-

vices and non public school placement).

Examination of Master Plan and non Master Plan programs by instructional setting provides further insight into the similarities and differences in the two delivery systems and suggests possible reasons for disparities in the levels of services provided.

Special Classes and Centers

Master Plan	Non Master Plan
1. Reimbursement, until 1978 at fixed amounts per class. Since 1978, a per capita allowance.	1. Reimbursement for excess cost based upon ADA. Varies according to handicapping condition.
2. Variable class size. Maximum of 20 with average of 10 in RLA.	2. Fixed maximum class size by category and age. Class size varies 3 to 20.
3. Instructional aide required.	3. Instructional aide optional.
4. Enrollment subject to comparable needs of students.	4. Enrollment limited to handicapping conditions.
5. DCH classes included in total program.	5. DCH classes required by funded and operated under separate regulations.

Special classes are most often used to provide an appropriate instructional setting for the more severely handicapped students. The handicapping conditions or characteristics of this population are more

easily recognized and identified in relationship to the need for service. Therefore, it can be assumed that all districts have identified and are providing some degree of special class service to a high percentage of students in need of such placement, and that the population of this group can be expected to remain relatively fixed. Changes would be expected to occur only for unusual circumstances, such as extensions of services to other age groups, new enrollments moving to a district, or changes in placement for borderline students previously assigned to a less restrictive setting. Table 6 shows the relationship of special class placements for Master Plan and non Master Plan districts for a three year period.

Table 6*

Pupils Enrolled in Special Classes
Master Plan and Non-Master Plan
1977-1980

	1977-78			1978-79			1979-80		
Delivery System	Number of Pupils	% of Special Ed. Pop.	% of K-12 Pop.	Number of Pupils	% of Special Ed. Pop.	% of K-12 Pop.	Number of Pupils	% of Special Ed. Pop.	% of K-12 Pop.
MASTER PLAN	10,516	24	2.5	19,867	25.4	2.2	27,975	24.8	2.3
NON-MASTER PLAN	92,844	33.4	2.6	86,334	31.8	2.7	78,525	31.4	2.8
TOTALS	103,360	28.7	2.6	106,201	28.6	2.5	106,500	28.1	2.6

*Figures for Table 6 have been taken from the State Department of Education Reports to the Legislature and the report of the Legislative Analyst to the Joint Legislative Finance Hearing, December 1979. Figures representing the percentage K-12 enrollment for Special Education were extrapolated from these data and are not be be construed as part of it.

The data consistently shows Master Plan districts placing lesser numbers of students in special class settings than non Master Plan districts. Using figures provided by State Department of Education for

this study, the following picture can be assumed for special class placements if all school districts were under the Master Plan concept for the 1979-1980 school year.

Of an estimated special education enrollment of 363,200 only 83,536 students would be in special classes if all districts were as successful as current Master Plan districts in accomplishing such changes. The resultant difference of 22,964 students would of course, transfer to the less restrictive resource specialist or designated instruction program.

At an estimated average cost per pupil of $5,015 for youngsters in special classes of the Master Plan, the resultant savings of $115,164,460 could then be utilized in the resource specialist programs or designated instruction and service where the cost is $1733 and $1235 respectively.

It is reasonable to conclude that factors other than lack of funding from a particular source prevent non Master Plan districts from making alternate placements for some special class students similiar to what Master Plan districts have done.

Resource Specialist and Learning Disability Programs

Resource Specialist and Learning Disability Group programs are designed for children who are capable of spending the majority of their instructional day in a regular classroom setting, but who for a variety of reasons are in need of supplemental instruction or supportive services. The setting for such services is usually outside the regula classroom with instruction being provided on an individual or small group bases. Although these two programs are not fully equivalent settings,[9] the majority of the cost studies we reviewed considered their similarities sufficient for a comparative analysis to be possible.

A major difference in the two programs is the population considered to be eligible for service. As has been indicated, Resource Specialists, under the Master Plan serve children based on their educational needs without regard to their category of handicap. The LDG teacher is restricted to serving only students identified as educationally handicapped. The educationally handicapped category is unique to California and includes sizeable numbers of students considered to have learning disabilities. In all probability this difference alone, would account for the variance in the number of children served in the two programs. The following chart compares the Resource Specialist program with the Learning Disability Group program in terms of regulatory, programatic, and funding differences.

RSP/LDG Programs

Master Plan Resource Specialist Program	Non Master Plan Learning Disability Group Program
1. Reimbursement prior to 1978 at a fixed amount per Resource Specialist and aide. Since 1978 @ per capita amount per pupil.	1. Reimbursement based upon ADA per hour of instruction. Maximum 8 ADA per LDG teacher.
2. Maximum case load of 28 and must average 24 across the RLA.	2. Maximum case load of 32 students per week.
3. Permits service to students with any identified handicapping condition.	3. Service limited to students identified as educationally handicapped.
4. Number of Resource Specialists is in a ratio of one for each 600 students in K-12 enrollment.	4. Number of LDG teachers not limited.
5. Remedial or supportive instruction provided students with handicapping conditions diagnosed moderate to mild severity.	5. Remedial or supportive instruction provided students with handicapping conditions diagnosed moderate to mild in in severity.

6. Instructional aide required.	6. Instructional aide not required.
7. Time permitted for direct instruction is limited	7. Time permitted for other than direct instruction is limited.

Table 7 compares the number of students served in RSP/LDG settings from 1977 through the 1979 school year.

Table 7*

Pupils Enrolled in RSP/LDG Programs
Master Plan and Non-Master Plan
1977-1980

	1977-78			1978-79			1979-80		
Delivery System	Pupils	% of Special Ed. Pop.	% of K-12 Pop.	Pupils	% of Special Ed. Pop.	% of K-12 Pop.	Pupils	% of Special Ed. Pop.	% of K-12 Pop.
MASTER PLAN	17,102	39.7	4.2	27,867	35.6	3.1	40.720	36.1	3.4
NON-MASTER PLAN	48,791	22.6	1.7	59,320	21.9	1.9	54,280	21.7	2.2
TOTALS	65,893	31.2	2.8	87,187	28.8	2.5	95,000	28.9	2.8

*Figures for Table 7 have been taken from the State Department of Education Reports to the Legislature and the report of the Legislative Analyst to the Joint Legislative Finance Hearing, December 1979. Figures representing the percentage K-12 enrollment for Special Education were extrapolated from these data and are not to be construed as part of it.

It has been previously indicated that during the period of time covered in the date reported here, the cost per pupil in the LDG programs has exceeded the per pupil cost in RSP by a considerable amount (see Table 5) and that the case load for RSP has been approximately 25% greater than for LDG instructors.

Combining these two factors leads to the following conclusions:

1. To serve the 54,280 pupils as shown in Table 7 in the LDG program for the 1979-80 year would require 2,714 certificated personnel with

a case load of 20 and an estimated cost of $129,620,640.

2. If the program had operated as a RSP the same number of staff could serve 65,136 pupils at a cost of $112,880,688. The resultant savings of $16.7 million would permit the current non Master Plan program to serve an additional 9,636 new students or students reassigned from DIS or special classes.

Designated Instruction and Services/Related Services

Under Designated Instructions and Services, the Master Plan provides for sixteen separate program options. Non Master Plan also provides opportunities for additional special education services which for purposes of this report are termed related services. In some instances the services for both programs are comparable. In other instances they are similar but not equivalent.

Master Plan DIS	Non Master Plan Related Services
1. Language and Speech	1. Speech Instruction by Speech aides.
2. Visually Handicapped	2. Special Blind allowance
3. Orientation & Mobility	3. PH in regular class
4. Physical & Occupational therapy	4. Remedial physical education
5. Adaptive P.E.	5. PH renrolled in R.O.P. or R.O.C.
6. Home and Hospital Instruction	6. T.H. Home and Hospital
7. Audiological Services	7. Other remedial instruction (speech)
8. Supplemental Instruction	8. Individual Instruction

9. Specialized Driver Training
10. Psychological Services
11. Health Nursing Services
12. Career Preparation Work Study & Occupational Training
13. Parent Education
14. Vision Therapy
15. Specially Designed P.E.
16. Designated School Social Work

9. M.R. in Regular Class
10. E.H. Regular Class instruction by Aide
11. Integrated Classes

Major Differences

Designated Instruction Services

1. Reimbursement prior to 1978 was a fixed sum per hour of instruction. Since 1978 a per capita allowance.
2. Case loads are varied dependent upon service provided. Recommended average of 55 for speech therapy.
3. Permits all services to all students regardless of handicap--based on individual need.

Related Services

1. Excess cost reimbursement variable from program to program and based on ADA.
2. Case loads vary by program and service. Maximum recommended case load in speech therapy is 90.
3. Services generally limited to specific handicapping conditions and in some cases may be provided for special circumstances.

Both DIS and Related Services are designed to provide additional services to children who receive the majority of their educational program in another instructional setting (i.e., regular class, special class RS, or LDG, etc.). Children enrolled in a special education program other than DIS or Related Services and receiving these services result in a duplicated count, as do children receiving more than one DIS/Related Service. However, for the purposes of funding, both PL 94-142 and the Master Plan allow students to be counted only once, in their primary instructional setting. Therefore districts are often providing more than one service or program for an individual child but recieve reimbursement only once.

In both the Master Plan and non Master Plan districts the largest group of children receiving DIS/Related Services are enrolled in speech therapy programs. In 1977-78 in non Master Plan districts 90,597 or 62% of those receiving related services were in the speech programs.[10] Comparable data for Master Plan districts is not available, but in all probability would not differ significantly.

Data in Table 8 shows that for 1979-80 non Master Plan districts are not only providing these services to a higher percentage of students than Master Plan districts, but are also doing it at a lower per pupil cost, $726 as compared to $1,235 (see Table 5). The reason for this cost variance appears to be attributable to case load size for DIS personnel which is only half that of those providing similiar services in non Master Plan districts. This implies that the level or degree of service provided in Master Plan districts is higher and that if case load factors were equalized a favorable balance of cost would shift to the Master Plan.

Table 8*

Pupils Receiving DIS/Related Services Program
Master Plan and Non Master Plan
1977-1980

Delivery System	1977-78 Pupils	1977-78 % of Special Ed. Pop.	1977-78 %of K-12 Pop.	1978-79 Pupils	1978-79 % of Special Ed. Pop.	1978-79 % of K-12 Pop.	1979-80 Pupils	1979-80 % of Special Ed. Pop.	1979-80 % of K-12 Pop.
MASTER PLAN	15,847	29.3	4.4	29,859	38.2	3.3	43,202	36.1	3.6
NON-MASTER PLAN	147,023	40.7	4.5	122,432	45.1	3.9	114,698	45.8	4.1
TOTALS	162,870	35.0	4.5	152,291	41.6	3.6	157,900	40.9	3.9

*Figures for Table 8 have been taken from the State Department of Education Reports to the Legislature, and the report of the Legislative Analyst to the Joint Legislative Finance Hearing, December 1979. Figures representing the percentage K-12 enrollment for Special Education were extrapolated from these data and are not to be construed as part of it.

Non Public School Placement

Non public school placements do not presently constitute a significant portion of special education placements. Percentages of students placed by non Master Plan districts are slightly higher than for Master Plan RLAs. As shown in Table 9 cost for non public school placements are approximately three times greater than the average cost per pupil in public special education placements state wide, but are only about 40% higher than the average cost for special class placement. Funding for non public school placements is not equalized for RLAs and non Master Plan districts. Master Plan districts currently receive a flat $2,296 per capita allowance for such placements. Non Master Plan districts share the cost for such placements with the state, with the local share being 30% and the state paying the remaining 70%.

Table 9

Non Public School Placements
and Estimated Cost
Master Plan and Non Master Plan
1979-1980

	Enrollment	Per Pupil Cost
1977-1978		
MASTER PLAN	246	$6,521
NON-MASTER PLAN	3053	$6,521
TOTAL	3299	$6,521
1978-1979		
MASTER PLAN	580	$6,362
NON-MASTER PLAN	3090	$6,902
TOTAL	3670	$6,632
1979-1980 (Estimated)		
MASTER PLAN	903	$6,643
NON-MASTER PLAN	2997	$7,320
TOTAL	3890	$7,032

Summary Conclusions

1. State contributions for the support of special education are not equally provided for Master Plan and non Master Plan school districts. RLA's currently receive 75% of their funds from state revenue, while non Master Plan districts receive 53%.
2. There are extremely wide variations in the levels of service available to handicapped individuals in Master Plan districts and non Master Plan districts.
3. Non Master Plan districts contribute a higher percentage of local funds to the support of special education than do Master Plan RLAs. The figures are approximately 40% to 20%.

4. Per pupil expenditures are approximately equal in Master Plan and non Master Plan districts. Lack of funds from any source does not significantly contribute to disparities of services provided from district to district.

5. Differences in the methods used to provide funds for various instructional settings and the degree of flexibility permitted for utilization of funds, are the major factors which account for most of the variances in services.

6. Master Plan districts appear to have re-evaluated pupils in a manner resulting in placement shifts from higher to lower cost programs. During 1979-80 if all districts had the placement latitude of the Master Plan, significantly higher numbers of students could have been provided services within the same total expenditure.

Footnotes - Chapter Two

1. Chapter 1247 Statutes of 1977 (AB Larterman).
2. Code of Federal Regulations. Title 45. 1212-300. August 1977.
3. See Annotated Bibliography, III A 1.
4. See Annotated Bibliography, III E 1.
5. Ibid., page A-6.
6. Ibid., page A-8.
7. Ibid., page A-10.
8. Report to the Legislature, State Department of Education, 1978, 1979, 1980.
9. See Annotated Bibliography, III E 1.
10. See Annotated Bibliography, IV C.

CHAPTER THREE

FUNDING MECHANISMS

Prior to 1975 all special education services in California, except Development Centers for the Handicapped (DCH) programs, were funded within the same categorical framework. The DCH programs have traditionally been funded on the basis of students attendance hours multiplied by a fixed hourly rate. The categorical funding process for special education services other than DCH is really a program model of funding, where funds are provided and designated for use in specific programs. This categorical funding model also embodies some aspects of a service model in that additional revenue is available to provide an added specific service for some individuals already placed in another program (e.g., special blind allowances).

From 1967 until 1977 there was no change in the funding level provided to school districts and county offices of education operating traditional categorical programs. However, DCH programs have received periodic adjustments in the h ourly funding rate. The enactment of SB 90 (Chapter 1406 Statutues of 1972) by subsequent legislature resulted in further complications in funding of special education programs for school districts. Prior to SB 90, districts had the authority to levy an over-ride tax to be used specifically to support programs for the mentally retarded and educationally handicapped. Although SB 90 did not prevent districts from continuing to tax the amount which had been levied for this purpose, districts were no longer required to use the funds generated from this tax for special education.

State legislation enacted in 1974 (AB 4040, Lanterman, Chapter 1532

Statutes of 1974) completely changed the method of funding special education services in those California districts authorized to implement the Master Plan. Legislative provisions also anticipated all districts being included within the Master Plan framework by July 1, 1981. Thus, for a five year period there existed two delivery and funding systems for special education in California.

The funding model for the Master Plan has also been desribed as a service model, in that funds were allocated to pay all or a portion of the cost for providing various services.

The data presented in Table 10 describes the support level provided for Master Plan components in accordance with AB 1250 (1977) for the 1978-79 year with the amount increased by the authorized inflation factor for 1979-80.

Table 10

Support Level for Master Plan Components 1978-1980

INSTRUCTIONAL COMPONENTS	1978-79	1979-80
Special Classroom & Centers	$19,700	$20,900
Resource Specialist Program	$24,460	$25,900
Designated Instruction Service	$24.00 per hour inst.	$25.50
Non-Public Schools	$1750 per pupil	$1855
SUPPORT COMPONENTS		
Identification, Assessment and Instructional Planning	$140.00 per pupil	$150.00
Management Support	$ 75.00 per pupil	$ 80.00
Transportation	$730.00 per ADA	$775.00

It is not practical to attempt a direct comparison between these figures and all programs operated by non-Master Plan districts. However, the following examples of funding for the traditional programs for the 1979-80 year point out some inequities between the Master Plan and the categorical funding model.[1]

1. Special classes - range from a low of $9,000 for EMR to a high of $32,154 for Autistic.
2. LDG Teachers @ Maximum ADA - $17,920.
3. Speech Therapist 2 maximum ADA - $11,910.[2]
   This same service in Master Plan would generate a minimum of $17,820.[2]
4. Special Transportation - Maximum $550.

These figures reflect only that portion of the funding generated by state special education allowances. Total expenditures for special education by both Master Plan and non Master Plan districts include revenue limits for children in special classes and non-public school placements as well as Federal suport and district general fund monies.[3]

The special education allowances as shown in Table 10 and the revenue per pupil as just outlined, suggest the need for considering several factors as the data are reviewed.

Table 11*
Special Education Allowances 1976-1980

	STATE SPECIAL EDUCATION ALLOWANCES**		STATE ALLOWANCE PER PUPIL	
Year	Master Plan	Non-Master Plan	Master Plan	Non-Master Plan
1976-77	$51.9	$214.8	$1,246	$ 709
1977-78	59.4	242.5	1,358	831
1978-79	131.6	331.3	1,683	1,222
1979-80	200.8 (Est)	335.0	1,780	1,302

*Data as reported by the office of Legislative Analyst, December 1979 and based upon S.D.E. reports.

**Reported in millions of dollars.

Factors related to funding which should be considered, include:

1. Funding levels for the Master Plan were established in 1974 at a time when the known costs for special education were much higher than when the levels for non Master Plan were last reviewed in 1967.
2. The enactment of AB 1250, effective July 1, 1978, provided an annual inflation factor for non Master Plan programs resulting in somewhat reduced funding differences.
3. The statewide program for phasing all districts into the Master Plan began in 1978. The net result was more students in Master Plan programs and

fewer in the categorical programs each succeeding year. This is reflected in the total allocations for each delivery system.

Table 11 also indicates that since 1975, Master Plan RLAs have enjoyed a significantly higher per pupil special education allowance, than non-Master Plan districts. Even with this advantage, most Master Plan districts have experienced some difficulty with the statutorily prescribed funding mechanism. The Master Plan funding process was designed to allocate specific amounts of money based upon the educational services actually provided,[4] and established levels of funding for each of the instructional components and support services.

In an effort to manage the allocation process within the funding limits appropriated annually for Master Plan programs, the State Department of Education deveoped guidelines with the intent of influencing enrollment to stay within an arbitrary enrollment figure of 11% on a statewide average. The standards selected are as follows[5] (where each figure represents a percentage of K-12 enrollment):

Special Classes	2.3%
Resource Specialist Program	3.7%
Designated Instruction and Services	4.9%
Non Public School Services	.1%
Total	11.0%

There were major problems as a result of these enrollment guidelines primarily because they did not adequately reflect variations among the RLAs in: the nature and degree of disabilities within the student population; variations in personnel costs; sparsity of population; and the number of

students who received more than one special education service. As a result, most RLAs found it very difficult to stay within the 2.3% figure for special classes, and were providing service beyond the available funding.

The Department of Education's response to the annual discrepancy between the services provided by the RLAs and the state funds provided to support these services, was to move to a system of funding by negotiating agreements with each RLA. The negotiation procedures were based on the level of service provided in the prior fiscal year, the level of service proposed for the upcoming fiscal year, and the funding amounts available to pay for the services.

The negotiation process resulted in Master Plan RLAs receiving approximately 8% less funding overall in 1977-78 than they would have received if the statutorily prescribed funding had been fully implemented.[6] During the same year the per pupil allocations of AB 4040 to the individual RLAs varied from a low of $1,050 to a high of $1,428.[7] The negotiations also resulted in under-funding for eight RLAs by as much as 20%,[8] and inover funding for two RLAs. Adjustments for over funding were made by applying the surplus to allocations for these same RLAs in the following year. There is no indication that any adjustments were made for under funding, although late in the 1977-78 year each RLA did receive a pro rata share of funds which had not previously been committed by the Department. These funds were identified for support of extended year programs after the passage of Proposition 13 in 1978.

The negotiating process for funding had the most serious implications for single district RLAs and for the one multidistrict RLA which did not include a county office of education as the RLA. A major problem was the fact that unlike the counties, districts had no authority to tax to support the

Master Plan, and were compelled to utilize district general funds to a much greater extent than had been anticipated. Other multi-district RLAs were able to use the taxing authority vested with the county superintendent of schools to minimize any effects of under funding, and also to apply for additional services which in many instances were beyond the reach of single district participants in the Master Plan. In response to this inequity AB 1250 which was passed in 1977, contained provisions which allowed all Master Plan agencies to receive a portion of their special education funds through taxing authority granted county superintendents of schools.[9] However, Proposition 13 approved by the voters in June 1978, circumvented this tax provision and added to the confusion of the funding process.

Funding Mechanisms for 1978-79 and 1979-80

On July 1, 1978, seven new RLAs entered the Master Plan as the first step toward full statewide implementation by 1981.[10] Preliminary funding authorizations for the seventeen RLAs scheduled for participation were based on the negotiated process previously described. Following passage of Proposition 13, actual funding for the 1978-79 year provided each RLA with a per capita share of statutorily provided funds with additional support made available through SB 154 (Chapter 292, Statutes of 1978). Difficulties over the compatibility of AB 1250 and SB 154 contributed to a continuation of variances in funding among the RLAs. (Appendix B, shows the distribution of funds for 1978-79).

In the 1978-79 school year thirteen of the seventeen RLAs had expenditures in excess of their revenue for 1978-79. The four remaining RLAs were over funded. The total amount of under funding was approxi-

Table 12*
Summary of Allocations
Master Plan for Special Education
1978-1980

R.L.A.	1978-79 Number Pupils	1978-79 Allocation	1979-80 Number Pupils*	1979-80 Allocation	Change + or %
Contra Costa Co.	6,989	$ 14,717,144	7,253	$ 16,652,888	+ 13.2
Humboldt/Del Norte	3,083	6,462,209	3,147	7,225,512	+ 11.8
Los Angeles USD Area 4	4,647	9,891,882	5,027	11,541,992	+ 16.7
Santa Monica USD	1.403	2,954.718	1,360	3,122,560	+ 5.6
Whittier Area Cooperative	4,991	10,511,046	4,923	11,303,208	+ 7.5
Sacramento USD	4,940	8,631,394	5,081	11,665,976	+ 35.1
San Juan USD	4,756	9,003,018	4,880	11,204,480	+ 24.5
Santa Barbara Co.	5,232	12,232,416	5,193	11,923,800	- 2.5
Stanislaus Co.	4,824	10,159,344	5,843	13,415,528	+ 32.0
Tulare Co.	5,551	11,690,406	5,752	13,206,592	+ 12.9
Fresno USD	3,424	6,991,873	4,120	9,459,520	+ 35.3
Glenn Co.	572	1,204,632	622	1,428,112	+ 18.5
Merced Co.	3,113	6,368,570	3,725	8,552,600	+ 34.3
Riverside Co.	10,968	23,259.809	12,045	27,655,320	+ 18.9
San Diego USD	8,363	17,612,478	11,653	26,755,288	+ 52.0
Santa Clara CO. Zone 1	2,852	6,006,312	3,141	7,211,736	+ 20.0
Santa Cruz/San Benito Co.	2,415	5,085,900	2,891	6,637,736	+ 30.5
Subtotal	78,173	$162,783,241	86,656	$198,962,848	+ 22.2
West Orange Co. Consortium	n/a	n/a	6,351	12,908,000	n/a
Orange USD	n/a	n/a	3,136	5,908,176	n/a
West San Bernardino Co.	n/a	n/a	4,422	8,331,192	n/a
Santa Clara Co. Zones 2 & 7	n/a	n/a	5,402	10,177,066	n/a
Los Angeles Area 1	n/a	n/a	5,876	11,071,781	n/a
Subtotal			26,687	$ 48,396,215	
TOTALS			112,343	$247,359,033	

*Derived by dividing allocation by per capita allowance

As was previously stated, the initial allocations to these seventeen RLAs was at the rate of $2,296 per pupil. It is conceivable that the wording in AB 8 would have permitted the Department of Education to have allocated funds at a lower level based on previous experience and performance of the individual RLAs.[14] If this had been done it would have allowed increases in the per capita allowances for the new RLAs immediately rather than at mid-year. It may also be concluded that the overall increase of 22% would have permitted a further reduction in the expenditure of local funds to support special education, which was reported to be approximately 20% of the toal expenditures for 1978-79.

A 1980 study by the Auditor General's Office raised the question of why the Master Plan allocations for 1979-80 had not been applied in conjunction with the statutory provisions of the Master Plan funding model. The Departments responded by suggesting that such an approach was not feasible.[15] In an effort to determine the validitity of the concern, the F-3 Forms submitted by each RLA for the 1979-80 year and the F-6 Form Cost Data Reports for 1978-79 were analyzed with the following result.[16] For 1979-80 the total funds to support the statutorily provided limits of AB 1250 amounted to $149.4 million, while the number of programs and level of service, including services for extended year, projected by the RLAs would have required approximately $168.8 million, this amounts to a funding deficit of 13%. It is concluded that while it was possible to have applied the statutory funding model, it would not have had any practical value except to indicate a continuing level of under funding from that source.[17]

Impact of Proposition 13 on Funding Mechanisms

Proposition 13 has had a serious impact on all aspects of education

in the state including special education. While there has been some reduction in services and programs the major change has been a shift in the responsibility for funding educational programs from the local to the state level. Studies conducted since 1976 have recommended sharing the cost of special education among local, federal, and state resources with the state share not to exceed 60%.[18] Following Proposition 13, the state share for Master Plan and county offices approached 75 to 80 percent. During the consideration of AB 1250, the Department of Education and the Department of Finance agreed to a series of principles which were included in the bill[19], and permitted a phase-in schedule for implementation of the Master Plan. The agreement was based on receiving anticipated state support,[20] federal funds through PL 94-142, and local support through the taxing authority granted county superintendents in AB1250.[21]

Table 13 illustrates the effect of changing times and changing economic conditions on the level of funding by source. The table reflects the projections for the Master Plan in 1977 and again in 1979 after Proposition 13.[22]

While this data applies only to the Master Plan, corresponding changes would occur in non-Master Plan programs until phased out in 1981-82.[23]

Comparing the earlier data with the most recent figures in Table 13, it appears that:

a. Projected enrollment will not reach the levels anticipated. This is attributable to declining K-12 enrollment statewide.

b. Federal funds will not keep pace with expectations. These are based upon per capita allowances which are affected by declining enrollments and Federal appropriations, and have been less than promised.

c. State costs are now higher and local costs are lower. The

primary cause is the shift in the burden of responsibility directly resulting from the passage of Proposition 13.

Table 13
Master Plan Funding: A.B. 1250 Assumptions vs Current Data
(Millions)

A.B. 1250 Assumptions [a]

	Enrollment	State	Federal	Local	Total	Per Pupil
1978-79	87,861	$102.0	$ 6.8	$ 62.5	$ 171.3	$1,950
1979-80	138,926	161.4	16.9	108.9	287.2	2,067
1980-81	258,821	291.7	63.3	212.1	567.1	2,191
1981-82	455,783	525.8	168.0	364.5	1,058.3	2,322

Current Data: Actual and Projected [b]

	Enrollment	State	Federal	Local [c]	Total	Per Pupil [d]
1978-79	78,173	$131.6	$ 8.0	$ 37.8	$ 177.4	$2,271
1979-80 Est.	112,800	200.8	16.8	52.7	270.3	2,397
1980-81 Proj.	214,500	393.1	55.0	97.0	545.1	2,541
1981-82 Proj.	420,000	797.3	130.0	250.3	1,132.6	2,697

(a) Source: Department of Education and memorandum of understanding between Department of Education and Department of Finance.

(b) Source: Department of Education.

(c) Includes state share of revenue limits for special class and non-public school pupils.

(d) Assumes total spending per pupil to increase at 6 percent annually in 1980-81 and 1981-82.

Table 14 illustrates the effect of the shift in funding over the last three years with Proposition 13 becoming a factor from 1977-78 to 1978-79. As a result of Proposition 13 there has also been a similar but more drastic shift to state support in the revenue limits provided to school districts for the support of their general education programs and for the revenue limit of handicapped students in special education classes. For the 1979-80 school year this distribution is estimated to be 70% state, and

20% local funding.

Table 14

Source of Funds by Percentage
Master Plan and Non-Master Plan 1977-80

	1977-1978	1978-1979	1979-80 Est.
Master Plan			
State Contribution	68.7%	74%	74.3%
Federal Contribution	1.3%	5%	6.2%
Local Contribution	30.0%	21%	19.5%
TOTAL	100%	100%	100%
Non-Master Plan			
State Contribution	45%	51%	53.5%
Federal Contribution	4%	6%	6.0%
Local Contribution	51%	43%	40.5%
TOTAL	100%	100%	100%

It appears that applications of provisions of the Budget Acts for the 1978-79 and 1979-80 school years, and the provisions of AB 3 in 1979, have resulted in funds for special education purposes in 1979-80 being allocated in four different ways:

1. Master Plan districts which were in operation during the 1978-79 year were initially funded at the rate of $2,296 per pupil. Funds to accomplish this came from three sources: funds to cover the statutory provisions of AB 1250, Revenue Limits for special classes, and a $49.8 million appropriation in AB 8. These districts were not allocated any funds specifically identified as coming from PL 94-142.
2. Master Plan districts, initiating programs for the first time in 1979-80, were initially allocated funds at the rate of $1,894 per pupil

with the intent of increasing this level of funding as adjustments became possible. Funding sources for these programs were the same as indicated for previously existing Master Plan units with the exception of PL 94-142 funds. If a full adjustment of funding was not accomplished during the year, these agencies could anticipate providing a higher level of local support for their programs than their counterparts funded as described above.

3. Programs operated by County Offices of Education were funded through provisions of AB 8. This, in effect, established a revenue limit for each special education program based on expenditures of the previous year, increased by an appropriate inflation factor.[25] Funding for these programs was allocated from special education allowances, revenue limits, county taxes, and after Proposition 13 "Rail-out" funds provided by the state to replace that part of tax funds lost as a result of Proposition 13.

4. Non-Master Plan school districts for the year received only special education allowances increased by an appropriate inflation factor, and revenue limits for youngsters in special classes. These districts also received a per capita share of funding from PL 94-142. All other support for these special education programs had to come from the revenue limits generated by students in the general education programs of the district or from any undistributed reserves available.

Summary Conclusions

1. Adequate funding has not been provided to support the statutory provisions of AB 1250.

2. Methods of allocating funds to Master Plan agencies have resulted in inequities each year and periodic changes in the sytem have only succeeded in shifting the inequities, not in resolving them.

3. Non-Master Plan districts provide approximately twice as much local support to special education as Master Plan districts.

4. Special education programs maintained by non-Master Plan County Offices of Education are funded at a much higher level of support than are non-Master Plan school districts.

5. The Passage of Proposition 13 has shifted a major share of the responsibility for support of special education programs from the local to the state level, but local school agencies have not benefitted equally from the shift.

Footnotes - Chapter Three

1. State Department of Education Form J-22.
2. $25.50 x 4 hours per day for 175 days.
3. See Appendix B for complete cost data.
4. Education Code Section 56360.
5. From State Department of Education Form F-3.
6. See Annotated Bibliography, III F 2.
7. Memo State Department of Education to P.S.A. Directors 5/78.
8. See Annotated Bibliography, III F 2.
9. Education Code Section 56364.
10. State Department of Education Implementation Plan.
11. See Annotated Bibliography, III A 1.
12. Funds to support per capita funding allowances were authorized by the 1979-80 Budget Act, district revenue limits for special classes and P.L. 94-142.
13. Interviews with Department of Education staff in March, 1980 indicated that mid-year adjustments had permitted raising the per capita allowance for new RLA's to $2240. It was anticipated that further adjustments would provide the full $2296 by the end of the year.
14. E.C. Section 56364 states: "Each responsible local agency shall receive up to . . . $2296 per pupil approved for funding pursuant to Section 56360."
15. See Annotated Bibliography, III F 2.
16. State Department of Education Form F-3 projects services and programs to be offered by an RLA on the basis of AB 1250 funding. Form F-6 is the annual financial report.

17. Reference Page 25 deficits in Master Plan funding.

18. See Annotated Bibliography, III C.

19. See Annotated Bibliography, II C.

20. As provided in Assembly Bills 65 and 1250.

21. E.C. Section 56364 - Now provided for in A.B. 8 "Bailout" Funds.

22. See Annotated Bibliography, III A 1.

23. Matching data for non-Master Plan programs may be found in Appendix B.

24. See Annotated Bibliography, III I 2.

25. Based upon calculations described in California Education Code Section 2550 et seq.

CHAPTER FOUR

OTHER ISSUES RELATED TO COST

Almost all of the recent cost studies of special education in California have identified issues which either have a direct bearing on the cost of special education programs or should be given consideration in the development of a more equitable funding model. A number of these issues, such as enrollment and cost projections, direct and indirect costs, the costs of administration, and the costs of non-public schools are reviewed in this chapter.

Enrollment and Cost Projections

Since 1975 when Master Plan programs were first implemented, there has been continual concern over the large number of children expected to become eligible for services, and the total cost of providing those services once the Master Plan is completely phased-in. However, neither the projections for enrollment nor the projected costs have followed the expected pattern of change. For example, the projected enrollment for the Master Plan in 1981-82 is 429,000 or approximately 7.8% less than the earlier projections of 455,783. Although enrollment projections are somewhat lower, cost projections for the Master Plan have increased. Costs for 1981-82 are projected to be $1,132.6 billion as opposed to an earlier forecast of $1,058.3 billion, representing an increase of 7%. This information was summarized in Table 13.[1]

There appear to be many explanations of why enrollment and cost projections have failed to materialize as expected. For example, the organized Search and Serve effort in the state failed to identify the number of handicapped individuals expected. This was largely due to a decline in the total K-12 enrollment, and partially the result of an over-estimate in the incidence

.of handisapping conditions. Increasing cost factors must be related to inflation and the demand for increased levels of service as mandated by the Master Plan and PL 94-142.

Further analysis of enrollment data and a review of data showing the relationship of Master Plan enrollment with non-Master Plan during the transition years suggests the possibility that the projected enrollment of 420,000 for 1981-82 could still be too high. Table 15 illustrates a comparison of actual special education enrollments between the two delivery systems through the 1978-79 year, and includes an estimate for 1979-80, and projections through 1982.[2] It can be assumed that information through 1978-79 is based upon final reports for those years. Several generalizations are apparent from the analysis of this data, including:

a. Total special education enrollment in the state has not shown a consistent increase. In the 1977-78 school year there was a noticeable decrease.

b. While Master Plan districts have served a higher percentage of handicapped students, this is on the average well below the potential figure of 11%.

c. Estimates and projections, beginning with the 1979-80 year, do not accurately reflect the experiences of Master Plan districts. The actual number of students placed has averaged 2.8% less each year than the projections indicated.

d. In addition, the State Department of Education has estimated the special education enrollment for the year 1979-80 to be 363,200 rather than 370,00 as projected in Table 15.[3]

Tab
Special Educa
(Selec

	1976-77	197
MASTER PLAN	41,641	4
Percent of K-12 Enrollment	* 12.1%	
NON-MASTER PLAN	302,925	29
Percent of K-12 Enrollment	* 87.9%	
TOTAL SPECIAL EDUCATION ENROLLMENT	344,566	33
TOTAL K-12 ENROLLMENT	4,235,525	4,15
Handicapped Percent of Total		
MASTER PLAN	9.3%	
NON-MASTER PLAN	8.0%	
TOTAL	8.1%	

* This table originated in the Report of the Legislati

** Percentages on these lines were the percentages of K
districts for the years indicated. The number of st
ures.

Table 15
Special Education Enrollments
(Selected Data)

76-77	1977-78	1978-79	Estimated 1979-80	Projected 1980-81	Projected 1981-82
41,641	43,711	78,173	112,800	214,500	[illegible]
12.1%	13.0%	22.4%	30.5%	55%	100%
02,925	291,711	371,176	257,200	175,500	----
87.9%	87.0%	77.6%	69.5%	45%	----
44,566	335,422	349,349	370,000	390,000	420,000
35,525	4,157,000	4,041,598	3,965,154	3,901,150	3,876,433
9.3%	10.0%	10.1%	10.7%	10.8%	11.0%
8.0%	7.8%	8.3%	8.8%	9.2%	--
8.1%	8.1%	8.6%	9.3%	10.0%	11.0%

the Legislative Analyst to Joint Legislative Committee, December 1979.

rcentages of K-12 enrollment expected for Master Plan and non-Master Plan
e number of students actually enrolled does not approximate these fig-

Using the information from Table 15 as a base, a new projection has been developed below the double line on the table. This projection takes into consideration the combined enrollment of Master Plan and non-Master Plan districts of 383,832 pupils for the 1980-81 school year. This figure assumes that 55% of the K-12 population will be operating under the provisions of the Master Plan and that 45% will remain under the traditional programs. Should the percentage under Master Plan and non-Master Plan change, the enrollment figures would change accordingly. However, the figures which represent the percentage of handicapped students being served by each delivery system would not be expected to change appreciably. This reasoning is based on the fact that Master Plan districts have consistently hovered near the 10% service level while non-Master Plan districts have been increasing slightly each year.

If this data is projected to the 1981-82 school year when all districts in California are expected to be under the Master Plan, it is conceivable that a range in special education enrollments could occur which might be as low as 387,643 students if the 10% factor continues to hold, or could reach an estimated 408,240. The latter figure represents 97.2% of a possible 420,000 pupils which would be expected if 11% of the K-12 population were enrolled in special education. It also reflects the fact that for a three year period, from 1976 through 1979, Master Plan districts were 2.8% short of anticipated enrollment.

The most recent data available indicates that the average cost per pupil for Master Plan in 1978-79 was $2,284 and the projected amount for 1979-80 to be $2,397. This represents a 5% increase over a one year period. It is the second year in succession that such increases have been below 6%.[4] Data from other sources has projected this increase at 6%.[5]

The fluctuating state of the economy makes it extremely difficult to accurately project any cost data. The figures presented in Table 16 have been extended at three levels to indicate increases of 5, 6, and 7 percent.

Table 16

Master Plan Projections
Average Cost Per Pupil

	5%	6%	7%
1979-80	$2397	--	--
1980-81	$2516	$2540	$2565
1981-82	$2642	$2692	$2745

A simplified method of projecting costs is to multiply the projected cost per pupil by the anticipated number of students. Table 17 illustrates the average cost per pupil at the three levels projected in Table 16, combined with the high and low ranges of anticipated enrollment, as shown in Table 15.

Table 17

Master Plan Cost Projections
For 1981-82

(Based on Average Cost Per Pupil
Projected at 5, 6, and 7 Percent)

	Estimated Cost Per Pupil		Estimated Number of Pupils	Total Estimated Cost (Dollars)	Estimated Cost Per Pupil (Dollars)		Estimated Number of Pupils		Total Estimated Cost (Dollars)
5%	$2642	x	387,643	1,024,152,806	2642	x	408,240	-	1,078,570,080
6%	$2692	x	387,643	1,043,534,956	2692	x	408,240	-	1,098,982,080
7%	$2745	x	387,643	1,064,080,035	2745	x	408,240	-	1,120,618,800

Direct Cost, Direct Support Cost, and Indirect Costs

Chapters two and three of this study describe a number of cost comparisons between Master Plan and non Master Plan districts, reported in terms of average cost per pupil by instructional setting, etc. However, the figures do not reflect the manner or the purpose for which funds were expended. This section of the study attempts to provide a better understanding of the concept of cost by examining direct instructional costs, direct support costs, and indirect costs.

All school districts in the budgeting and accounting process maintain fiscal records of expenditures classified by object.[6] Following is a short description of the categories used for reporting purposes.

1. Direct Costs - Includes costs related to providing a direct insturctional service to a pupil (teacher salaries, fringe benefits and instructional supplies, etc.).
2. Direct Support Costs - Includes costs which directly contribute to the support of instructional programs for pupils. For example, salaries of nurses, psychologists, supervisors, and school administrators.
3. Indirect Costs - Includes those costs, or a percentage thereof, that are necessary for the operation of a school program, but do not contribute a direct instructional or support service to a pupil. Central office functions fall in this category.

Projected expenditures in each of these classifications are budgeted in accordance with anticipated revenue, and expended accordingly. At

the close of the fiscal year a district files a cost data report which is a record of how funds were actually expended. Prior to 1978-79 this reporting was done on the State Department of Education J-26 form, however, since 1978 the J-41A form has been used. If we assume that districts report cost data accurately and consistently, then the reports represent both the actual cost and the full cost of providing special education services. Summaries of cost data reports for 1977-78 as reported on the J-26 form can be found in Appendices D and E.[7] Information for the 1978-79 year as reported on the J-41A forms was not available for this report, however, a summary estimate of anticipated expenditures was obtained and is included in Table 18.

Table 18

Percent of Expenditures by Object
Master Plan and Non-Master Plan

Objected Expenditure	Master Plan		Non-Master Plan	
	1977-78	Estimate 1979-80	1977-78	Estimate 1979-80
Direct Cost of Instruction	65%	64.1%	64%	67.5%
Direct Support Cost	27%	28.9%	27%	23 %
Indirect Cost	8%	7.0%	9%	8.9%

Table 19 was developed to estimate 1981-82 costs by using data from Table 18 and estimated data for enrollment and total costs previously described in this report. These projections attempts to illustrate the possible distribution of expenditures for the 1981-82 year.[9]

Table 19

Estimated Statewide Expenditures by Object
Master Plan 1981-82

		%
Direct Cost		
Certificated Salaries	$449,669,820	
Classified Salaries	116,043,240	
Employee Benefits	101,538,360	
Books, Supplies, Other Equipment	14,505,420	
Contracted Services, Other Expense	36,263,700	
Capital Outlay	7,252,740	
TOTAL DIRECT COST	$725,274,000	66
Direct Support Charges		
Instructional Administration, Media, School Administration	$ 74,285,640	
Special Projects	857,142	
Pupil Services	71,428,500	
General Support	125,714,160	
Capital Outlay	11,428,560	
Auxiliary Services	1,999,998	
TOTAL DIRECT SUPPORT CHARGES	$285,714,000	26
Indirect Support Charges	87,912,000	8
TOTAL EXPENDITURES	$1,098,900,000	100
ESTIMATED ENROLLMENT	$408,240	
ESTIMATED AVERAGE COST PER PUPIL	$2,692	

Administration Costs

In 1977 it was reported that the cost of administration for school districts which initiated a Master Plan program in 1975 increased by 77.3% over the 1974 level. This increase was attributed in part to the Master Plan student assessment model and the PIA administrative structure.[10] This finding has continued to be an issue and has resulted in numerous requests for additional studies. To date no specific studies have been conducted in this area because reporting systems have not se-

parated such data in a manner that would be adaptable and meaningful. Improved reporting and accounting practices required to complete the J-41A form may make it possible to examine administrative costs in more detail. In retrospect, if the implementation of the Master Plan did actually require more administrative costs than the traditional programs, this may have been somewhat equalized since 1975. As pointed out earlier, both Master Plan and non Master Plan districts report these costs within their direct support cost area. Cost data and reports for 1977-78 show both systems expending 27% of their funds for support services (see Appendix D and E).

Non Public School Costs

On occasion the question of the cost of non public school placement versus costs of providing special education services in public programs has arisen. In February of 1979 the California Association of Private Special Education Schools (CAPSES) presented information to the Commission on Special Education suggesting that the costs of special education in non public schools was considerably less than in the public school sector. This information was based upon a survey of thirty-seven private schools in Los Angeles County and the costs in four unified school districts of the County.[11] A request was also made at that time to have a statewide study conducted on the costs for non public schools. The Department of Education apparently agrees that with few exceptions the cost of non public schooling is less and that any such study would only confirm a known fact.[12] Since no further action has been taken on this subject, material pertaining to private schools, on file in the State Department of Educa-

tion, was reviewed to determine if a valed basis for comparison could be established.

It should be noted that significant changes in non public school funding took place in 1978. Since 1978 school districts have paid the full costs of non public school placements for special education. Prior to 1978 school districts did not pay the full costs and therefore comparisons with earlier data would be suspect. It should also be recognized that most non public school placements are in a special class setting and therefore when comparisons are made they sh ould be matched with special classes in the public sector. We might also expect non public school costs to be skewed toward the high side as a result of a small number of high cost residential placements. A direct comparison between public and non public costs for special education is only meaningful if these factors are removed from the data. Contrary to previous notions, the data in Table 20 clearly show that non public school placements are considerably higher than special class placements in public schools for the same year (1978-1979).[13]

Table 20

Pupil Costs Non-Public School Placement
Master Plan and Non-Master Plan
1978-79

	Number of Pupils	Total Cost	Average Cost Per Pupil
MASTER PLAN	571	$ 3,689,895	$6,463
NON-MASTER PLAN	2,972	$ 18,342,896	$6,172

SPECIAL CLASS PUBLIC SCHOOL PLACEMENT

	Number of Pupils	Total Cost	Average Cost Per Pupil
MASTER PLAN	19,867	$ 93,990,777	$4,731
NON-MASTER PLAN	86,334	$401,107,764	$4,646

In addition to the data in Table 20, directory statements from approximately 80 non public schools certified by the State Department of Education to provide educational services to handicapped pupils were reviewed to determine which programs and services were offered. The schools classified their educational programs as follows:

Learning Handicapped	43	Schools
Communicatively Handicapped	3	"
Severely Handicapped	11	"
Physically Handicapped	1	"
Multi-Handicapped	7	"
Deaf	1	"
Autistic	5	"
Seriously Emotionally Disturbed	10	"
Residential (Primarily Emotionally Disturbed)	15	"

. It appears that the greatest number of non public schools cater to those individuals identified as Learning Handicapped. The number of children with more serious handicapping conditions receiving non public school services is very limited. The number of non public schools providing related service is also very small. For these reasons an overall comparison of costs of non public schools with public schools providing a full range of services is probably misleading, and it is recommended that future comparisons be made program by program and service by service to avoid generalizations.

Overlap of Programs and Services

During the interview process conducted as part of the data collection effort of this study, several individuals raised the possibility that a relatively large number of handicapped children received services from more than one categorical program. It was assumed that this eventually would result in increased costs. For example, this situation could occur when students receive special education services and also are enrolled in other program designed to strengthen academic performance such as the School Improvement Program and compensatory education programs such as Title I . This problem was reviewed in a 1980 Auditor General's report to the legislature[14] based on information contained in an independent report completed by SRI International in 1979, which studied overlap between Title I and special education.[15] In summary the study indicated:

1. From a selected sample of 482 elementary and junior high school students enrolled in Resource Specialist programs, 259 or 54% were also receiving Title I services.

2. None of the students renrolled in both programs received identical services in each program.

It is recognized that while the limited extent of the information makes a definite conclusion impractical, it is an indicator that overlap may not be a major problem.

Effects of Master Plan Implementation and Student Mobility on Cost

It has been demonstrated that as school districts enter the Master Plan delivery system there is a considerable degree of shifting students among the different instructional settings (see Chapter Two). A second phenomenon which occurs during the conversion period is an overall increase in the percentage of students receiving services in programs for the moderate and mildly handicapped students (Resource Specialist Programs), and a slight decrease in the pupils served in special classes and designated instruction and services as compared to non Master Plan settings. Table 21 illustrates this for Master Plan and non Master Plan districts by insturctional setting during the 1978-79 year.

Table 21

Percentages of Pupils
By Instructional Setting
Master Plan and Non Master Plan
1978-79

	Number of Students	Percent K-12 Population	Percent Spec. Ed. Population
MASTER PLAN			
Special Classes	19,867	2.2	25.4
Resource Specialist	27,867	3.1	35.6
Designated Instruction	29,859	3.3	38.2
NON-MASTER PLAN			
Special Classes	86,334	2.7	31.8
Resource Specialist	59,320	1.9	21.9
Related Services	122,432	3.9	41.5

Since these percentages have remained relatively constant since 1975, it might be assumed that they would continue through full implementation of the Master Plan in 1981-82. Using the higher of two enrollment projections, previously described, the anticipated enrollment by instructional setting is projected in Table 22.

Table 22*

Projected Enrollment
By Instructional Setting
1981-82 (Estimated)

	Number of Pupils	Percent of Spec. Ed. Enrollment
Special Classes	103,692	25.4
Resource Specialist	145,333	35.6
Designated Instruction	155,942	38.2
TOTAL NUMBER OF PUPILS	408,240	

*Figures do not add as non-public school placements have not been included.

The data in Table 22 indicates that we might expect 2,509 fewer pupils to be in special classes in 1981 than in 1978 (see Table 15), and 97,901 to be added to the other two less restrictive alternatives.

As it has already been pointed out the average cost per pupil in Master Plan programs in 1978 was $2,284 as compared to $2,391 for non Master Plan. This difference, of $107 per pupil, is a direct result of providing more services to more students in lower cost programs, and strongly supports the conclusion that while total costs of providing special education under the Master Plan will increase, the increase will be far less than if California attempted to meet the mandates of PL 94-142 without implementing the principles of the Master Plan statewide.

The movement of special education students between instructional settings after initial placement is another phenomenon that ofcurs after the Master Plan is implemented. Table 23 has been reproduced from its original source for clarification of this point.[16]

It is believed that mobility or movement between instructional settings combined with initial placements have had a serious effect on the cost of assessment. Reference has been made to concerns expressed about the high cost of providing assessments in the Master Plan assessment model. Previous studies have alluded to the high cost of assessment, but have not fully identified the level of cost or outlined suspected reasons for it. However, the following factors are believed to contribute to the problem:

1. for initial placements, PLA directors report conducting assessments for more students than the actual number found eligible for placement
2. each change of instructional setting requires some degree of reassessment

Thus, if assessments are required in excess of the unduplicated count in any one year, the total cost rises rapidly.

Summary Conclusions

1. Projections for both enrollment and cost of special education have failed to materialize as expected. Enrollment projections have been low while projections related to cost are considerably higher than expected.
2. Existing data is not adequate to permit an analysis of the administrative costs of special education.
3. Costs, as currently reported, for non public school placements are higher than for public school placement. Extenuating circumstances indicate that this information should be reviewed on a basis other than a direct comparision.
4. Program overlap does not appear to be a major problem.
5. While the Master Plan implementation adds appreciably to the total costs of special education services, it is considerably less than would be experienced if the mandates of PL 94-142 were to be met through traditional programs.
6. The necessity to assess excessive numbers of students for initial placement, and a fairly substantila number of students who change instructional settings, adds to the cost of assessment.

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Summary Conclusions

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6. The necessity to assess excessive numbers of students for initial placement, and a fairly substantila number of students who change instructional settings, adds to the cost of assessment.

Footnotes - Chapter Four

1. Table 13.
2. See Annotated Bibliography, III A 1.
3. See Annotated Bibliography, I F.
4. Ibid.
5. See Annotated Bibliography, III E 2.
6. The California School Accounting Manual, 1978 Edition, details the process to be followed in this procedure.
7. See Annotated Bibliography, III E 1.
8. The State Department of Education in reporting to the Legislature in January, 1980, estimated the percentage of expenditures for Direct Cost, Direct Support, and Indirect Cost.
9. These projections assume continuation of the current Master Plan Structure and Funding model.
10. See Annotated Bibliography, III D.
11. Information contained in a letter from CAPSES to the Commission on Special Education from Dale Scott-Executive Security CAPSES February, 1979.
12. See Annotated Bibliography, II D.
13. Report to the Legislature, State Department of Education January, 1980.
14. See Annotated Bibliography, III E 2.
15. Case Studies of Overlap Between Title I and P.L. 94-142 Services for Handicapped Students, S.P.I. International, 1979.
16. See Annotated Bibliography, I D.

CHAPTER FIVE

FUNDING ALTERNATIVES

A major emphasis of this study has been a review of the funding mechanisms used over the past several years to provide fiscal support for special education programs in the state. These funding mechanisms have generally been categorized as an excess cost approach, used in the non Master Plan or traditional programs, and as a service based model as applied to the Master Plan. In actual practive both delivery systems have experienced some difficulty in meeting the needs of the handicapped for full compliance with Public Law 94-142.

Of the two delivery systems, the one used for the Master Plan is more defensible from the standpoint of offering the greatest flexibility for the delivery of services to children. Unfortunately, the program has not been sufficiently funded to allow RLAs to provide services at the statutorily prescribed level. This has resulted in an annual problem in the distribution of funds. Non Master Plan districts have had more difficulty in providing an appropriate level of services, and in addition have had to absorb a disproportionate share of financial support for special education through the use of general fund resource.

The California Legislature, State Department of Education, and other state governmental departments, have recognized the necessity of remedying the existing problems to ensure appropriate levels of special education services and a continued flow of federal funds to California.[1]

A variety of funding approaches have been used in other states, including unit support, weighting formulas, percentage of full costs, personnel based formulas, and excess cost formulas.[2] Each of these systems has strengths and weaknesses which were reviewed in a 1977 study by the

Department of Finance.[3] During the course of this study an alternative funding mechanism has been proposed for special education in California. The funding model now being considered by the legislature is defined in Senate Bill 1870 which is currently under legislative review. This piece of legislation addresses many of the funding problems identified in this study. As it is currently drafted the bill attempts to eliminate variances in funding and services, recognizes geographic and population cost differences, initiates some necessary controls, recognizes the need to fund other than direct costs, and attempts to reconcile growth and funding differences.

The present study does not propsoe an alternative model of funding, pending developments in SB 1870, but it does analyse several concepts included in SB 1870, and offers suggestions for changes. The analysis and suggestions for SB 1870 are divided into twelve major discussion areas.

1. Senate Bill 1870 proposes to fund district programs in relationship to actual direct costs and direct support costs based on previous experience. This in effect addresses the needs of local districts directly and should eliminate funding inequities for districts whose costs are above average. Unfortunately, it does not reward those with costs below the average. This, however, raises the question of what factors have contributed to higher costs in some districts. A sampling of districts in 1978 showed that costs by instructional setting varied by as much as $3,880 per pupil in special classes for Master Plan districts and $1,866 for non Master Plan. Similar data for other instructional settings indicated comparable differences.[4] As perceived here, prolonged funding on the actual cost basis could perpetuate a higher level of funding to some

districts resulting in a continued disparity of services to children. It is suggested that any reporting documents devleoped be comprehensive enough to isolate high cost factors, and that as data for the first year is reviewed, additional controls should be initiated if such a need is apparent.

2. A free appropriate education for all handicapped is mandated by Public Law 94-142. The intent of the Legislature, as stipulated in Section 56000 of SB 1870, is to assure all individuals with exceptional needs of their rights under the federal law. However, the bill also imposes a funding cap limited to providing services to no more than 10% of the K-12 population. The estimates of projected enrollment within this study would tend to indicate such a limitation is adequate for the school year of 1980-81 and possibly for 1981-82.[5] It should be noted that the funding limitation does not in itself deny services to more than 10% of the population, but it does raise the question of how those services would be made available at no cost to parents. Findings from the current study, suggest that the inclusion of a 10% funding cap any eventually be challenged on the basis of non compliance with PL 94-142.

Since SB 1970 initiates several other provisions to control cost and enrollment, it is suggested that these concepts be expanded and strengthened to a degree which eliminates any need for stipulated limitations on funding or enrollment. Possible applications of this proposal are discussed in the following issues.

3. Senate Bill 1870 removes all or part of certain special education programs from both funding and enrollment considerations. Included are programs for pregnant minors, home and hospital instruction, and adaptive P.E. Table 24 indicates the numbers of students receiving such ser-

vices, and the total cost of each service for the 1977-78 year.[6]

Table 24

Non-Master Plan Special Education Programs

Program	Number of Pupils	Total Cost
Pregnant Minors	3,148	$6,032,207
Home and Hospital	5,464	9,408,071
Adaptive P.E.	44,696	13,996,126
	53,308	29,436,404

It is interesting to note that the non-Master Plan districts alone had 53,308 students enrolled in these programs, and that this figure represented almost 16% of their total special education enrollment for that year. The data that is available is not sufficient to allow us to determine how many of these pupils were otherwise handicapped, so there is no conclusive way to determine how many of these students would be eligible for special education under the provisions of SB 1870.

It appears that the services to be provided by SB 1870 are being projected for 390,000 pupils, which is a projection of 10% of the K-12 population as shown by previous studies discussed earlier in this report.[8] This figure does not reflect whether or not any consideration has been given to deducting all or a portion of the students in these three programs from the special education count. If the deduction referred to is considered in the final version of SB 1870, the estimated special education pupil count projected by this and other studies will be further reduced. Since some of the students in these groupings do have other handicapping conditions and would remain eligible for service under the

bill, a final figure cannot be calculated without additional data. Indications are, however, that any reductions would permit even greater latitude in the 10% funding cap.

4. Various studies have shown a need for the development of suitable eligibility criteria to govern the placement of students in special education programs and services.[9] Previous studies have centered on the fact that a lack of such criteria in the Master Plan has resulted in large numbers of students being placed in areas of learning and communication handicaps. To some degree this is borne out by this study. In Chapter Two it was shown that placement criteria for non Master Plan programs was considerably more rigid than for Master Plan programs, and this contributed to a lower percentage of placement in non-Master Plan programs. (8% compared to Master Plan 9.8% over a three year period). This might indicate that, to some extent, adequate eligibility criteria can be a means of controlling enrollment.

This study does not take issue with the requirements of SB 1870 which places the responsibility for such criteria with the State Board of Education. However, it is believed that certain cautions should be observed to avoid possible conflicts with PL 94-142.

a. Eligibility criteria should be a positive reflection of the effort to meet the needs of handicapped students rather than an obvious attempt to control growth.

b. The eligibility criteria must consider that some districts who have been operating the Master Plan for five years, are well above the 10% level, and would have obvious problems conforming to new standards without some type "grandfathering" provision.

c. The criteria should also consider that populations of school districts vary widely as to their needs for varying levels of service.

d. The criteria should give consideration to the incidence of different handicapping conditions.[10]

Although it has not been given as much emphasis, there is a need to establish guidelines for appropriate levels of service. Such a requirement is not found within SB 1870, although information reviewed to date indicates that levels of service greatly influence cost. Chapter TWo, for example, shows that costs for related services in non Master Plan programs are about half that of like services in Master Plan programs. The pupil teacher ratio is also greater (i.e., more students per teacher) indicating less service per teacher. This creates a paradox and leaves unanswered the question of service versus cost.

To date little was been done in terms of examining the topic of appropriate levels of service for handicapped students. However, a series of weighted factors for various handicapping conditions has been developed by the Office of the Los Angeles County Superintendent of Schools. These weighted factors were originally developed to establish a basis for differential funding of programs. However, it would be equally appropriate to use these factors to develop standards for levels of service, and we recommend that they be used this way.

As introduced, SB 1870 proposed internal controls through the establishment of pupil staff ratios for a variety of personnel positions. In final form such provisions establish such ratios in only three areas; special classes, resource specialist program and in the case of designated instruc-

tion and services where the ratio is set at one specialist for each 24 students on the average. In all probability these are sufficient standards to control costs in terms of direct costs of instruction. However, it does not appear that provision has been made to do the same in the area of direct upoort costs.

To illustrate the need for pupil/staff ratios in support areas, an example of studies on the cost of special education which have been completed for individual school districts within the past year by Decision Development Corporation are included.

The districts have been selected for comparison purposes and will be identified only as district X and district Y. Both districts are located within a metropolitan area of the state and are within ten miles of each other. Both are affected by similar ethnic and socioeconomic factors and both offer a similar range of special education programs. Neither district offers related services in all areas possible. Two areas in which services are offered by both are psychological and school nursing services.

District X reports serving 4,214 pupils in special education programs, and utilizes 20.5 full time equivalent psychologists and 13.55 full time equivalent nurses to do so. District Y serves 3,026 pupils in special education with 7.9 psychologists and 4.4 nurses. Both employ additional personnel in these categories for services in other district programs.

In addition district X employs 2.8 supervisors and 4 school principals in special education programs while district Y has 5 full time supervisors and one principal for special education programs. Both districts have a full time administrator as a director. District X makes no charges in the area of direct support for school administration, while district Y charges approximately 13% of their school principal salaries for this

purpose.

District X subsidizes their special education programs to the extent that 45% of the total special education budget comes from general purpose funds of the district. District Y provides only 33% of their special education budget from general purpose funds. The average cost per pupil in both districts is comparable; $2,523 in district X and $2,474 in district Y. It is obvious, however, that if one were to compute the per pupil cost for specific services as they are provided in each district, there would be a wide range of costs. This is a single example of the variations that exist. Other studies either completed or in progress, have yielded similar results.

This study reviewed strongly suggests the need to strengthen this area of SB 1890 by expanding pupil staff ratios to all programs and services offered, and further suggests that such ratios be established for administrators and superviors in proportion to instructional staff.

Current reporting practices in California do not include data which will permit an investigator to make the kinds of judgments illustrated above. It would be most beneficial if reporting systems could be revised to permit this.

6. Senate Bill 1870 does allow for some control by requiring the submission of plans designating responsibility for providing services and provision for distribution of funds. These provisions are included in section 5600 of the bill. It is believed that this section of the bill would be strengthened if districts were required to provide assurances that the programs offered were of high quality and provided in the most cost effective manner. This study has presented considerable data to support the conclusion that the level of services and costs of programs

vary from district to district. The same is true when costs of programs operated by county offices are compared with district offerings. One cannot generalize and say that all programs of one agency are more or less costly than those of another. There are exceptions in any given situation in which higher or lower costs can be justified with good and sufficient reasons. The point is that it should not be taken for granted that a plan for offering services or distributing funds is best for children. This section of the bill could be amended to require assurance of quality and fiscal effectiveness. This could very well result in a shift of lower incidence programs a traditional function of many county offices, to county functions and of higher incidence programs to districts, for the benefit of all pupils.

7. In addition to current special education programs previously noted as excluded in the bill, SB 1870 also denies services to students who have been identified as being socially maladjusted. A similar provision is included in PL 94-142.[12] To date such terminology has not been adequately defined. The term "socially maladjusted" has been the focal point of several cases for non public school placement which resulted in Fair Hearings. The absence of an appropriate definition has permitted expensive residential placements which may otherwise have been avoided. The term needs to be defined.

8. It is anticipated that over the next two years the implementation of a new special education delivery system would result in critical shortages of qualified personnel in some programs. The impact would be felt most in the areas where there are current personnel shortages: speech therapists, resource specialists, program specialists, school social

workers, and occupational and physical therapists. If districts were unable to employ sufficient numbers of staff, the effect on cost would be reflected in two major ways. First, without staff, students would not be placed, and secondly, salaries would not be paid thereby reducing direct cost expenditures.

The situation reinforces the expressed need for case load standards in all areas to avert over employment of personnel by some districts while others do without. For example, in 1978 there were 124 school social workers employed, and of these, nineteen were located in a single RLA serving less than 2% of the handicapped population of the state.[13]

9. Program specialists are considered withi the area of Centralized Services in SB 1870. The original legislation for the California Master Plan (AB 4040) established program specialists as pupil services personnel. Upon actual implementation, however, some RLAs placed program specialists in administrative or supervisory roles while others did not. This created a controversy which has not yet been resolved. Even among the program specialists there is divided opinion on their role.[14] Since salaries tend to increase as administrative duties are added, this issue becomes a cost factor. It is suggested that the problem be resolved by designating this position as administrative/supervisory or pupil services within the context of SB 1870.

10. Senate Bill 1870 recognizes, to some degree, the impact of Proposition 13 upon both the state and local districts in terms of responsibility and ability to support special education programs. Since 1978, non-Master Plan districts have been forced to use a greater share of general purpose money to support special education programs than either Master Plan dis-

tricts or county offices of education. County offices, which have no general fund, have been most fortunate and now receive virtually all special education support in state funds. Povision for this continues in SB 1870. Master Plan districts, by virtue of SB 154 in 1978 and AB 8 in 1979, now have approximately 74% state, 6% federal, and 20% local fundings. Non-Master Plan districts, however, are still faced with a 54% state, 6% federal, and 40% local funding ratio.[15]

Senate Bill 1870 proposes to stop encroachment of general purpose funds for both Master Plan and non-Master Plan districts. However, it does not guarantee any added relief to the non-Master Plan districts. This would continue a substantial inequity for an indefinite period of time. It is suggested that further consideration be given to this problem of encroachment.

To bring Master Plan and non-Master Plan districts to the same level of state support would require approximately $77.5 million. Districts then would not have to continue to contribute $77.4 million in local support for special education programs and could use those funds for their regular education programs for which they were originally intended. The infusion of these funds back into the general fund should relieve the state of the responsibility to provide an equivalent amount for district general fund support. Technical details might make such adjustments difficult, but factually, there is neither a gain not loss to any entity.

11. Two other areas which need further consideration are transportation and capital outlay. It is difficult to understand why a service as vital to special education programs as transportation should not be considered for funding on the same basis as other support components of the model.

Further consideration of the support for transportation is needed.

The increase in numbres of children to be served, and an emphasis on serving students in the least restrictive environment, as specified in SB 1879, could well require a substantial expenditure of funds for renovation and construction of facilities. The problem should be recognized in the legislation and addressed to the extent that funds become available.

12. The following discussion examines estimates of SB 1879 compared to 1979-80 projections. In 1979-80 the total funding for special education programs was projected to $902.3 million. The distribution of these funds by source is shown in Table 25. Comparable figures have been established for 1980-81.

Table 25

Distribution of Funding for Special Education Programs (in millions)

Source of Funds	1979-80	1980-81
State Funds	$655.3[a]	$702.7[c]
Federal Funds	52.6	79.0
Local Funds	194.4[b]	208.0[d]
Total	902.3	989.7

[a]This figure includes 80% district base revenue limits and Development Center funds.

[b]This figure includes 20% district base revenue limits and additional contributions from general fund sources.

[c]It is not known whether Development Center funds are included. If they are not, the figure would increase by approximately $17 million.

[d]This figure has been increased over 1979-80 by 7% to reflect a proportionate increase in students.

It is assumed that these estimates are for full cost. Our estimate based upon data presented in Chapter Two is $950.3 million. We suspect neither to be correct at this time. Unfortunately the calculations were projected from incomplete information and are therefore considered to be subject to error.

Summary Conclusions

1. SB 1870 is a positive step toward resolving a number of difficulties faced by special education programs in California.
2. SB 1870 contains the basic elements to establish reasonable controls for fiscal and program controls within special education programs of the state.
3. The requirements for local plans should be expanded to include assurances for program quality and cost effectiveness.
4. Sufficient data was not available at this time to fully assess the impact of SB 1870 on the funding of special education programs in California.

Footnotes - Chapter Five

1. Several studies have [illegible] inequities of funding and services will result in [illegible]
2. Governance, Organization, and Admin[illegible] of Special Education in California, Los Angeles County Superintendent of Schools.
3. See Annotated Bibliography, III C.
4. Refer to Table 4.
5. Refer to Chapter Three, Enrollment Projections.
6. See Annotated Bibliography, IV C.
7. See Annotated Bibliography, V D.
8. Refer to Table 5.
9. See Annotated Bibliography, III E 2.
10. Data which was reviewed for this study relative to the incidence of handicapping conditions is outdated and did not reflect the impact of PL 94-142. More recent data should be considered.
11. See Annotated Bibliography, III A 2.
12. Code 121 of Federal Regulations Title 45, December 1977.
13. See Annotated Bibliography, V B (September, 1978).
14. See Annotated Bibliography, V A.
15. Refer to Chapter Two.

ANNOTATED BIBLIOGRAPHY

I. Reports to the California Legislature from the California State Department of Education and the California State Board of Education.

A. California Master Plan for Special Education, Second Annual Evaluation Report, 1975-76. Sacramento: the Office of Program Evaluation and Research, 1976. 46 pp.

First year of Master Plan implemented in six Responsible Local Agencies (RLA's) is reported. Included are Education Code Sections referred to, background information, summary of findings, methods and procedures, and 22 tables.

B. California Master Plan for Special Education, Third Annual Evaluation Report, 1976-77. Sacramento: the Office of Program Evaluation and Research, 1978. 83 pp.

Expanded form of 1976 report. RLA's are increased to 10 and emphasis is placed on overall change in pupils and programs, and comparison of Master Plan and Non-Master plan programs. Added are a table of contents, variations among the RLA's, and five appendices which include names of participating schools, and tables analyzing responses to questionnaires and interviews, 44 tables in all.

C. California Master Plan for Special Education Evaluation Report, 1977-78. Sacramento: the Department, 1979. 55 pp.

Descriptive and enumerative information and in-depth evaluation studies are added to evaluation plan. Included is a review of previous evaluations, identification of individualized education program (IEP's), parent, teacher and administrative attitudes and program review information. Six descriptive appendices and 25 tables.

D. California Master Plan for Special Education Evaluation Report, 1978-79. Sacramento: the Department, 1980. [96] pp.

The eight chapters which comprise this latest evaluation are set up autonomously under the topics of student and fiscal information, reports from RLA Directors, results of program reviews, personnel development, special studies, and technical assistance. Appendix A lists the 17 Special Education Service Regions. There are 11 tables.

E. Estimated Program Costs During the 1977-78 School Year for (a) Districts Participating, and (b) Districts Not Participating in the Master Plan for Special Education. April 1978. 13 pp. (agenda item).

F. Estimated Special Education Program Costs for California, 1979-80. Sacramento: Board of Education, 1980. [3] pp.

G. Private Schooling for the Handicapped in 1977-78. Sacramento: the Department, January 1979. 5 pp.

Includes statute requiring report and brief overview of program information covering number and percentage by county and handicapping condition, results of appeals, and changes to existing statutes. Two tables.

H. Private Schooling for the Handicapped, Costs of Services for Pupils in Non-public Schools Reimbursed by Public Schools. Sacramento: the Department, January 1980. [6] pp.

Brief report with added background information and four tables comparing Master Plan and non-Master Plan program participants and costs.

II. Letters and Memoranda

A. Aronin, Loeb, California Association of School Psychologists and Psychometrists. Letter to Ken Blackwelder, Chairman, Special Education [Commission]. Woodland Hills, 31 May 1979. 2 pp.

Questions funding model for Master Plan and expresses concern over competition for funds and support for Resource Specialist program.

B. Bernstein, Charles D., [Special Education Commission]. Letter to Gordon Duck, Director, Special Education, California State Department of Education Re: Master Plan, Special Education Commission. 15 February 1979. [2] pp.

Recommends placing all agencies under Master Plan, withholding state funds from non-complying agencies, equalizing state funding, and replacing comparative Master Plan/non-Master Plan studies with studies of program effectiveness.

C. Campbell, Davis W., Associate Superintendent, Special Programs and Support Services and C.F. Gocke, Department of Finance. "Memorandum of Understanding Between Department of Finance and Department of Education Regarding the California Master Plan for Special Education." 6 June 1977. 3 pp.

Outlined are proposed phase-in funds for Master Plan from 1978 to 1982, anticipated federal funds, conditions of acceptance of county superintendents' tax, amendments to and 6% increased allowance for non-Master Plan programs, a Master Plan cost model, and additions to language of AB 1250.

D. Duck, Gordon, Office of Special Education, California State Department of Education. Memo to Executive Cabinet (Form EC-1) Re: Non-Public School Funding. 11 June 1979. [2] pp. with reprint of Glendale News Press article of 6 January 1979 attached.

Discussion of request by California Assn. of Private Special Education Schools (CAPSES) for $25,000 to conduct comparative cost study of nonpublic and public special education. Options are outlined and Office of Special Education requests Cabinet to take no action.

E. Gainer, William L., Assistant Superintendent, Special Education, San Mateo County Office of Education. Letter to Robert W. Naylor, California State Assemblyman Re: DCH Funding. San Mateo, 17 September 1979.

Response to Naylor's letter to Carol Slavick clarifying Development Center Program expenditures limit change from 1977-78 and request for corrective legislation to insure equal treatment of all Special Education programs.

F. Griffing, Barry, Associate Superintendent Special Programs and Support Services, Department of Education. Memo to Richard F. Keefe, Contra Costa County Office of Education Re: Status of 1978-79 Budget Requests; Call for Special Meeting of RLA Directors on May 10, 1978. 4 May 1978. [3] pp.

Estimates of funds available for 1978-79, and clarification of average per pupil expenditures. Attached is table of enrollments, actual, requested, and recommended funds for the RLA's.

G. Scott, Dale H., Executive Secretary, California Association of Private Special Education Schools. Letter to William K. Jennings, San Mateo Special Education Consortium Re: San Mateo Special Education Consortium report to State Commission on Special Education, 28 June 1979. Buena Park, 13 July 1979. 6 pp.

Asks for support for study of cost accounting and comparison between public and private schools, and questions reference to inflation of private school costs. Aspects of Fair Hearing and complaint procedure are addressed.

H. Scott, Dale H. Executive Secretary, California Association of Private Special Education Schools. Letter to Carol Slavick, Chairperson, Special Education Commission Re: Costs for Non-Public Schools. Buena Park, 18 September 1979. 2 pp.

Letter takes issue with report from San Mateo Special Education Consortium concerning rising costs of private schools. Suggests data base to permit valid comparison and a more effective cost accounting system.

I. Victor, Gilbert C., Chief Fiscal Management Audits, Department of Finance, and Whiteneck, William, Deputy Superintendent, Department of Education. Letter to Dennis F. Carpenter, Chairman, Joint Legislative Budget Committee Re: California Master Plan for Special Education. Sacramento, 8 March 1977. 19 pp.

Report of audit of Santa Monica, Santa Barbara and Contra Costa Counties PLA's covering Special Day Classes, Resource Specialist Program, Designated Instruction and Services (DIS), Nonpublic Schools, Identification Assessment and Instructional Planning, Management and Support, and Transportation with tables for each and a consolidated revenues and expenditures table. Four appendices itemize number of classes and programs audited, salaries, and expenditures per enrollment.

J. Whiteneck, William D., Deputy Superintendent for Administration, California State Department of Education. Letter to Thomas W. Hayes, Acting Auditor General, Joint Legislative Audit Committee Re: Draft report of "Special Education Financing Warrants Review" dated March 1979. Sacramento, 28 March 1979. 6 pp.

Exception is taken with recommendation by Auditor General's report that Master Plan funds be redirected to comply with P.L. 94-142. Issues addressed are adequacy of accounting procedures and program quality.

III. Special Education Cost-Related Studies

A. California Legislature, Senate Committee on Finance. Joint Interim Hearing, Senate Finance Subcommittee No. 2 (Lower Education), Assembly Ways and Means Subcommittee No. 2 (Education). SPECIAL EDUCATION: IMPACT OF PRESENT FINANCING MODEL ON SERVICES AND GOVERNANCE. Downey. 6 December 1979. Sacramento: Video/Audio Recording Services, Inc. 358 pp.

Complete transcript of hearing including index of participants, complete agenda, and time schedule. There are 13 appendices of which the four following pertain particularly to this report:

1. Appendix I: Tables presented by the Office of the Legislative Analyst. [8] pp.

Federal definition of handicapped children is followed by seven tables comparing Master Plan and Non-Master Plan services, enrollment expenditures by fund source, and costs from 1976-77 projected to 1981-82.

2. Appendix V: An Overview of the Major Issues and Recommendations for Special Education in California presented by the Office of the Los Angeles County Superintendent of Schools. (8 pp. draft).

Recommendations suggested for improvement in finance and governance encompass goals which are "reasonable, realistic and responsible" and to this end models are presented. Three tables concern proposed categories and pupil weights, determination of funding, and estimated available revenues.

3. Appendix VI: A New Model for (1) Governance, Organization and Administration of Special Education in California presented by the Office of the Los Angeles County Superintendent of Schools (9 pp. draft).

   Proposed replacement of Service Region and PIA structure with legal educational agencies to meet objectives of clear responsibility, accountability, and authority, reduce probability of duplication and increase flexibility. Integrated regional advisory committees are suggested and visual charts are used to indicate local, county, and state responsibilities in areas of policy, assessment, program, curriculum, personnel, fiscal management and procedural safeguards.

   Appendix VI (cont.): (2) Fiscal Policy Issues for Special Education Finance in California [20] pp.

   A continuation of Appendix VI detailing recommendations of the proposed model. Among the topics covered are funding formulas, checks and balances, regional variations, centralization and use of federal resources. Appendix A provides tables on a costing model, categories and weights, and revenues available. Appendix B specifies detailed budget standards, incidence of service, and costing methodology.

4. Appendix VIII: Material presented by Dale Scott, California Association of Private Special Education Schools. 5 pp.

   "A comparison of Public School and Private School costs for Special Education" prepared for the California Association of Private Special Education Schools in February 1979. Utilizes Los Angeles County Schools to suggest higher cost of public schools. Recommends an independent accounting study and development of a complete cost reporting system. Copy of Glendale News Press article of 6 January 1979 attached.

B. California State Department of Education. Implementation Design for the Master Plan for Special Education in California 1975. 16 pp.

   Paper includes history and background, 12 recommendations for improvement, updating and evaluation, an approach to implementation with time line and pupil projections and costs. Six tables of figures expand upon the latter dimension.

C. California State Department of Finance, Program Evaluation Unit. The California Master Plan for Special Education. Report No. P 77-26. March 1977. 133 pp.

Issues addressed are the overall need for services and personnel to serve handicapped children following the first year phase-in of the Master Plan. Ten recommendations relate to weaknesses in eligibility criteria, administrative costs, pupil progress, personnel development, and interagency coordination. Legislative background is included along with 19 tables, and nine figure graphs. Documented in detail.

D. Current Issues in Special Education. (77-22). Sacramento: Legislative Analyst, August 1977. 51 pp.

Addresses major fiscal and policy issues with particular attention to implementation of the Master Plan. Background includes historical overview, characteristics of Master Plan and its relationship to legislation and enrollments and expenditures in special education. Need for annual independent evaluation outlined. Three recommendations suggest expansion through budget process rather than legislation, partial implementation, and legislative review of policies. Two tables. Footnoted in detail.

E. Joint Legislative Audit Committee, Office of the Auditor General.

1. Special Education Financing Warrants Review. Report p-843. Sacramento, March 1979. 34 pp. plus Appendices [28] pp.

Specific audit findings focus on differences in support and numbers of inadequately served pupils between Master Plan and traditional programs and need for improved information collection and reporting. Response by Dept. of Education and subsequent comments by Auditor General included. Four appendices detail cost comparisons and terminology. Eleven tables.

2. Financing and Administration of Special Education Programs for Handicapped Pupils. Report p-929. Sacramento, January 1980. 55 pp.

Letter of transmittal by S. Floyd Mori, Chairman. Included are historical background, details of audit, issues for consideration and additional information requested by the Legislature, and response letter from Deputy Superintendent for administration. Recommends full implementation of instructional services based funding model, improved eligibility and assessment criteria, strengthened standards for agencies and more explicit procedures. Reports on need for new legislation. Seven tables.

3. Office of the Auditor General 1979 Annual Report, Summaries of 1979 Reports. Sacramento: Joint Legislative Audit Committee, 15 February 1980. 86 pp.

Fifty-five summaries requested by legislators which include findings, recommendations and unaudited agency action taken. "Special Education Financing Warrants Review" summarized on p. 74 with legislative action noted. Letter of transmittal by Thomas W. Hayes, Auditor General.

F. Los Angeles County Superintendent of Schools. Fiscal Considerations of the Master Plan for Special Education. Downey, December 1978. 68 pp.

Report of task force formed to study future funding of the Master Plan in Los Angeles County. Objectives were to establish funds needed, their source, and to propose necessary legislative or other changes. Projection of population and costs to 1981-82 were compared to AB 1250 and AB 65 allowances. It is concluded that funds will be insufficient. Comments on the Third Annual Evaluation Report 1976-77 by the state comprise Chapter IV. Appendix C proposes revisions to Title 5 regulation. 26 tables.

IV. Report Forms: California State Department of Education, Office of Special Education, Information Systems and Analysis Unit.

A. "Report of Programs Operating Under the Master Plan for Special Education." Fiscal Year 1979-80. Form E-3. Sacramento, February 1980. (15 RLA's reporting).

Request, on single sheet, semi-annually, for regular and extended year sessions unduplicated enrollment and FTE units. Categories: special classes and centers, resource specialist, designated instruction and services, nonpublic schools and speical transportation.

B. "Comprehensive Plan Cost Data Report." Fiscal Year 1978-79. Form E-6. Sacramento, November 1979 (16 RLA's reporting).

Requests, on single sheet, annual direct costs and support charges and indirect support charges for special class, resource specialist, DIS, and nonpublic schools.

C. "Special Education Cost Data Report, 1977-78." Form J-26. (Also for 1976-77).

Requests annual detailed enrollment and cost figures for physically, mentally and educationally handicapped pupils.

OTHER RELATED MATERIALS
(Contents not included in report)

Bernstein, Charles D.; Hartman, William T.; Marshall, Rudolph S. "Major Policy Issues in Financing Special Education." JOURNAL OF EDUCATION FINANCE 1:299-317, Winter 1976.

Bernstein, Charles D. and others. Financing Educational Services for the Handicapped, An Analysis of Current Research and Practice. Palo Alto, Management Analysis Center, Inc., December 1974. 64 pp. (Appendix A attached).

Brinegar, Leslie, Department of Education. Memo to Commission on Special Education Re: Private Schooling 30% Local Share/MR Class Costs. 15 February 1978.

California Legislature, Assembly Ways and Means Committee. Statement of the Department of Finance. Sacramento, 11 December 1979. 16 pp.

California State Assembly. The Assembly Republican Caucus. Background Material on the Family Choice Initiative. [Sacramento] November 1979. [317] pp.

California State Board of Education. Minutes of meeting of the Commission on Special Education, Holiday Inn-Airport, South San Francisco, 22-23 February 1979. 5 pp.

California State Board of Education, California State Department of Education. "Estimated Special Education Program Costs for California, 1976-79." Sacramento, 1979. [5] pp.

California State Department of Education. Analysis of the Jarvis II Initiative. [Sacramento: Department of Education, Office of Governmental Affairs], 8 January 1980. 8 pp.

California State Department of Education. "Estimated Program Costs During the 1977-78 School Year for (a) Districts Participating, and (b) Districts not Participating in the Master Plan for Special Education." March 1978. [14] pp. (Mimeo agenda item).

California State Department of Education. "Sunset" Review of Special Education. 13 March 1980. 61 pp.

Glenn, Gale L., Assistant Superintendent, Special Services, Butte County Special Education Department. Letter to Carol Slavick [Special Education Commission] Re: Class size survey. Oroville, 7 November 1979. Attachment.

Gray, Scott, Assistant Superintendent, Student Services Division, San Diego City Schools. Letter to Ken Blackwelder [Special Education Commission] Re: Resource Specialist Programs. San Diego, 20 March 1979. 7 pp.

Johnson, Daniel E., Council for Exceptional Children/California State Federation Government Relations Committee. Memo to Commission on Special Education Re: Individualized Education Program Funding. Pleasant Hill, 22 May 1979.

Johnson, Daniel E., Administrator, Comprehensive Programs, Alameda County Office of Education. Letter to Ken Blackwelder, Advisory Commission on Special Education Re: Time spent on IEP's. Hayward, 20 June 1979. 2 pp.

Keefe, R. F., Associate Superintendent, Special Education and Services, Contra Costa County Schools. Letter to Frank Lanterman, Assemblyman Re: Non-Public School Costs. Pleasant Hill, 2 June 1978. 3 pp.

Lippman, Leopold, Executive Director, State Council on Developmental Disabilities. Memo to Members of the Advisory Task Force on Investigation of Changes in Public Funding and Services for Persons with Developmental Disabilities Re: Impact on State Budgets. Sacramento, 26 October 1978. Attached are inter-office responses from Council members re: Proposition 13 effects.

McCarthy, Leo T., Speaker of the Assembly, California Legislature. Letter to Parents and Students Re: Assembly Bill 8. Sacramento, 18 June 1979. 2 pp.

Parodi, Stephen L., Chief, Local Assistance Bureau, Department of Education. Memo to Responsible Local Agency, County Auditors and County Treasurers Re: Master Plan for Special Education. 26 September 1978. Transmitted: (1) Notice of Apportionment (2) Schedule of Apportionment for support of the Master Plan for Special Education. 3 pp.

"Rand Corporation to Study Cost of Special Education." BEH STUDY REVIEW. Washington, D.C.: U.S. Department of Health, Education, and Welfare, Bureau of Education for the Handicapped, State Programs Studies Branch. November 1978.

Reetz, Alvin C., Special Education Council for San Benito/Santa Cruz Counties Comprehensive Plan for Special Education. Letter to Ken Blackwelder [Special Education Commission] Re: 21 March 1979 Commission on Special Education agenda items concerning master planning. Santa Cruz, 16 March 1979. 2 pp.

Riles, Wilson, Superintendent of Public Instruction. Memo to County and District Superintendents of Schools Re: SB 90, Chapter 1135, 1977. 3 January 1978. 3 pp.

Santa Barbara County Schools (comp.) "Master Plan for Special Education, 1976-77, Revision #3, Comprehensive Plan Cost Data Report." Form I-6. 9 March 1978. 2 pp.

Santa Barbara County Schools (comp.). "Master Plan for Special Education, 1976-77, Revision #5, Comprehensive Plan Cost Data Report." 3 April 1978. [2] pp.

Stanford Research Institute International. Independent evaluation of the California Master Plan for Special Education, First Annual Report. SRI Project 8169. Menlo Park, April 1978. 57 pp.

YOUR ASSOCIATE IN SACRAMENTO FOR SPECIAL EDUCATION. January 1980. Woodbridge, California. 6 pp.

APPENDIX A

Interview Guide for Collection of Data for Cost Study

Date_____ Contact Person_____

Introduction

As I mentioned on the telephone, we are conducting a study on the cost of special educational programs in California for the State Department of Education. We are interested in identifying and collecting materials such as working papers, studies, committee reports, testimony, and so forth that have been written, developed, or conducted since January 1975.

1. Have you personally been involved in developing any materials related to the costs of special education?
   No Yes

   If yes, what were they, and what was the intent or purpose? What was the outcome of the study? Request a copy.

2. Are you aware of any materials that have been developed by your agency or department related to the costs of special education in California? If yes, please identify the material which was responsible for developing it, and for what purpose. Request a copy if available.

3. Are you aware of any materials that have been developed by other agencies or departments? If yes, please identify. Who should we contact? Request a copy if available.

4. Are there other agencies or individuals we should contact that may have information on materials related to the costs of special education? Please identify by name, position, agency/department and possible materials, if known.

5. We are also interested in materials that have been developed in response to the passage of Proposition 13. Are you aware of any written materials that have been developed by your agency or other agencies or department related to Proposition 13 and its potential or actual effects on education programs? If so, please identify.

6. Other

DDC Project Staff

APPENDIX B

Special Education Costs[a]
(millions)

YEAR	State Costs[b] Master Plan	State Costs[b] Non-Master Plan	State Costs[b] Total State	Local Costs[c] Master Plan	Local Costs[c] Non-Master Plan	Federal Revenues Master Plan	Federal Revenues Non-Master Plan	Total Cost Master Plan	Total Cost Non-Master Plan	Total Cost Total	Percent Increase
1976-77	$ 51.9	$214.8	$266.7	$ 22.7	$321.8	$ 3.5	$14.2	$ 78.1	$550.8	$628.9	
1977-78	59.4	242.5	301.8	33.5	387.7	1.3	21.5	94.2	651.7	745.9	18.6%
1978-79	131.6	331.3	462.9	37.8	278.3	8.0	38.8	177.4	648.4	825.8	10.7
1979-80 est.	200.8	335.0	535.8	52.7	263.0	16.8	50.3	270.3	648.3	918.6	11.2
1980-81 proj.	393.1	235.2	628.3	97.0	188.6	55.0	45.0	545.1	468.8	1,013.9	10.4
1981-82 proj.	797.3	---	797.3	205.3	---	130.0	---	1,132.6	---	1,132.6	11.7

Average Costs Per Pupil

	State Cost/Pupil[b] Master Plan	State Cost/Pupil[b] Non-Master Plan	State Cost/Pupil[b] Total	State Cost/Pupil[b] Percent Increase	Total Costs/Pupil Master Plan	Total Costs/Pupil Non-Master Plan	Total Costs/Pupil Total	Total Costs/Pupil Percent Increase
1976-77	$1,246	$ 709	$ 774		$1,874	$1,319	$1,825	21.8%
1977-78	1,359	831	900	16.3%	2,153	2,234	2,223	6.3
1978-79	1,683	1,222	1,325	47.2	2,271	2,391	2,364	5.0
1979-80 est.	1,730	1,302	1,448	9.3	2,397	2,520	2,483	4.7
1980-81 proj.	1,333	1,340	1,611	11.3	2,541	2,671	2,600	3.7
1981-82 proj.	1,398	---	1,898	17.8	2,697	---	2,697	

Source of data: State Department of Education. Projections assume Master Plan and non-Master Plan costs per pupil will increase by 6 percent annually in 1980-81 and 1981-82.

[b]Includes state share of district revenue limits. This is included in "local costs."

[c]Includes state share of revenue limits and local district general fund monies (including district bailout funds) expended on special education.

APPENDIX C

Master Plan Allocations, 1978-79

P.L.A.	Pupils[b]	Master Plan Allowances[c]	County Tax "Bail-Out"[d]	District[e] Rev. Limits	Federal[f]	Total	Reported Expenditures
CONTRA COSTA CO.	6,989	$ 9,236,423	$ 4,993,191	$ 487,530	$ --	$ 14,717,144	$ 15,233,155
HUMBOLDT/DEL NORTE	3,083	3,989,385	1,966,328	506,496	--	6,462,209	4,307,584
LOS ANGELES USD AREA 4	4,697	5,779,920	1,257,389	2,854,593	--	9,891,882	14,021,731
SANTA MONICA USD	1,403	1,955,709	514,123	484,886	--	2,954,718	3,304,665
WHITTIER AREA COOP	4,991	7,265,978	1,699,490	1,545,778	--	10,511,046	11,360,455
SACRAMENTO USD	4,340	6,693,115	----	1,938,279	--	8,631,394	8,834,838
SAN JUAN USD	4,756	7,391,473	----	1,611,545	--	9,003,018	9,446,500
CONTRA BARBARA CO.	5,232	7,848,642	2,923,408	1,460,366	--	12,232,416	12,284,612
STANISLAUS CO.	4,824	7,126,997	1,275,134	1,757,213	--	10,159,344	9,862,721
TULARE CO.	5,551	7,711,548	2,741,857	1,237,001	--	11,690,406	15,633,741
FRESNO USD	3,424	4,534,093	----	1,332,620	1,125,160	6,991,873	9,327,117
KERN CO.	572	604,172	296,978	88,882	244,600	1,204,632	1,167,521
MERCED CO.	3,113	3,330,439	1,726,500	651,211	660,420	6,368,570	6,900,606
RIVERSIDE CO.	10,968	10,473,956	8,520,148	2,221,084	2,044,621	23,259,809	22,589,134
SAN DIEGO CO.	8,363	11,300,453	----	3,706,305	2,005,720	17,012,478	21,665,405
SANTA CLARA CO. ZONE 1	2,352	3,149,638	1,194,553	929,421	733,800	6,006,312	6,098,071
SANTA CRUZ/SAN BENITO	2,415	2,433,533	1,119,207	334,710	1,198,540	5,085,900	5,455,780
Total	78,173	$101,424,174	$30,228,806	$23,117,900	$8,012,861	$162,783,241	$177,493,636

a. Source of data: State Department of Education Office of Systems Analysis and Information.

b. Estimated Pupil Count for allocation purposes. P.L.A. may have actually served a greater or lesser number.

c. Statutory allowances as provided in S.B. 1250.

d. "Bail-Out" funds from S.B. 154.

e. For pupils in special classes or centers

f. "Master Plan P.L.A.'s which had been in operation in previous years received no federal funds to avoid issue of supplementing.

APPENDIX D

Preliminary Funding Authorization*
Master Plan for Special Education 1979-80

	State[a]	Revenue Limits[b]	Federal[c]	Total
Contra Costa County	$ 15,006,968	1,645,920	0	16,652,888
Humboldt/Del Norte Counties	6,710,861	514,651	0	7,225,512
Los Angeles - Area 4	8,644,350	2,897,642	0	11,541,992
Sacramento City Unified	9,647,730	2,018,246	0	11,665,976
San Juan Unified	9,040,460	2,164,020	0	11,204,480
Santa Barbara County	10,538,570	1,385,230	0	11,923,800
Santa Monica Unified	2,520,359	602,201	0	3,122,560
Stanislaus County	11,560,399	1,855,129	0	13,415,528
Tulare County	11,096,365	2,110,227	0	13,206,592
Whittier Area Cooperative	9,236,922	2,066,286	0	11,303,208
Glenn County	1,025,814	143,298	259,000	1,428,112
Fresno Unified	6,301,178	1,966,342	1,191,400	9,459,520
Merced County	6,561,796	1,291,504	699,300	8,552,600
Riverside County	22,089,745	3,571,275	1,994,300	27,655,320

Santa Clara County Zone 1	$ 5,209,594	1,225,142	777,000	7,211,736
Santa Cruz/San Benito Counties	4,534,236	834,400	1,269,100	6,637,736
San Diego Unified	19,339,570	5,291,918	2,123,800	26,755,288
Sub-Total	159,064,917	31,584,031	8,313,900	198,962,848
West Orange Consortium	8,750,464	1,800,636	2,356,900	12,908,000
Orange Unified	3,773,964	968,712	1,165,500	5,908,176
West San Bernardino Co. Consortium	5,288,712	1,747,480	1,295,000	8,331,192
Santa Clara Zones 2 & 5	6,734,792	1,758,774	1,683,500	10,177,066
Los Angeles Unified Area 1	5,591,294	3,458,494	2,021,993	11,071,781
Sub-Total	30,139,226	9,734,096	8,522,893	48,396,215
TOTALS	189,204,143	41,318,127	16,836,793	247,359,033
From Budget Act	149,404,143			
From A.B. 8	39,800,000			

* Source of data: State Department of Education Office of Systems Analyst and Information.

1 Combines funds from Budget Act and A.B. 8

2 Includes approximately 20% local funds.

3 Those Master Plan P.L.A.'s which began operation in 1975 or 1976 and had reached or approached the 11% service level received on federal funds to avoid any issue of supplementing.

APPENDIX E

Statewide Master Plan Expenditures by
Instructional Setting
Fiscal Year 1977-1978
(Unaudited)

Program Expenditures	Special Day Class	%	Resource Specialist Programs	%	Designated Instruction and Services	%	Non-Public Schools	%	Total	%
Direct Cost										
Certificated Salaries	$16,447,000		$12,194,000		$ 9,566,000		$		$38,207,000	
Classified Salaries	6,008,000		3,516.000		432,000				9,956,000	
Employee Benefits	4,435,000		2,903,000		1,581,000				8,919,000	
Books, Supplies, Other Equipment	743,000		399,000		202,000				1,343,000	
Contracted Services, Other Expenses	1,239,000		242,000		267,000		1,341,000		3,090,000	
Capital Outlay	256,000		147,000		71,000				484,000	
Total Direct Costs	$29,138,000	60.0	$19,401,000	72.0	$12,119,000	67.0	$1,341,000	89.0	$61,999,000	65.0
Direct Support Charges										
Instructional Administration, Media, School Administration	$ 3,296,000		$ 1,732,000		$ 1,588,000		$ 5,000		$ 6,621,000	
Special Projects	3,000		3,000		10,000				16,000	
Pupil Services	3,224,000		1,752,000		1,523,000		26,000		6,525,000	
General Support	3,243,000		1,448,000		1,271,000		54,000		11,016,000	
Capital Outlay	671,000		259,000		134,000		3,000		1,067,000	
Auxiliary Services	36,000		-0-		-0-		-0-		36,000	
Total Direct Support	$15,473,000	32.0	$ 5,194,000	19.0	$ 4,526,000	25.0	$ 38,000	6.0	$25,281,000	27.0
Indirect Support Charges	$ 3,779,000	8.0	$ 2,432,000	9.0	$ 1,442,000	8.0	$ 79,000	5.0	$ 7,732,000	8.0
TOTAL EXPENDITURES	$48,390,000	100.0	$28,027,000	100.0	$18,087,000	100.0	$1,508,000	100.0	$95,012,000	100.0
Enrollment	11,075		19,292		19,126		285		46,127*	
Average Cost Per Pupil	$ 4,369		$ 1,477		$ 946		$ 5,291		$ 2,060	

*Enrollment figures do not add because of multiple (duplicated) services provided to some children. The total is unduplicated.

APPENDIX F

Statewide Traditional Special Education Expenditures by Instructional Setting, Fiscal Year 1977-1978 (Unaudited)

Program Expenditures	Special Day Classes	%	Learning Disability Groups	%	Other Programs	%	Total	%
Direct Cost								
Certificated Salaries	$124,988,000		$ 53,865,000		$42,270,000		$221,123,000	
Classified Salaries	24,070,000		4,581,000		934,000		29,585,000	
Employee Benefits	25,429,000		9,165,000		6,403,000		40,997,000	
Books, Supplies, Equipment	4,282,000		1,405,000		664,000		6,351,000	
Contracted Services, Operating Expenses	2,483,000		545,000		702,000		3,730,000	
Capital Outlay	987,000		168,000		187,000		1,342,000	
Total Direct Costs	$182,239,000	61.0	$ 69,729,000	68.0	$51,160,000	75.0	$303,128,000	64.0
Direct Support								
Instructional Administration, Media, School Administration	$ 22,169,000		$ 5,223,000		$ 4,507,000		$ 31,899,000	
Special Projects	422,000		160,000		72,000		654,000	
Pupil Services	22,656,000		12,369,000		2,534,000		37,559,000	
General Support	46,101,000		5,515,000		3,991,000		55,607,000	
Capital Outlay	272,000		107,000		60,000		439,000	
Auxiliary Services								
Total Direct Support	$ 91,620,000	31.0	$ 23,374,000	23.0	$11,164,000	16.0	$126,158,000	27.0
Indirect Support	$ 24,940,000	8.0	$ 9,918,000	9.0	$ 6,229,000	9.0	$ 41,087,000	9.0
Total School Districts Cost	$298,799,000	100.0	$103,021,000	100.0	$68,553,000	100.0	$470,373,000	100.0
Enrollment (estimated)	17,660		321		45,270		42,879*	
Average Cost per Pupil	5,644		$ 2,090		$ 516		$ 2,885	
TOTAL COST SCHOOL DIST./COUNTY	$398,470,000		$103,692,000		$91,926,000		$594,088,000	
Total Enrollment (School Dist./Co.)	99,122		67,160		188,728		296,755*	
Avg. Cost per Pupil (School Dist./Co.)	$ 4,020		$ 1,544		$ 487		$ 2,002	

*Enrollment figures do not add because of multiple (duplicated) services provided to some children. The total is unduplicated.

DECISION
DEVELOPMENT
CORPORATION

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COST OF SPECIAL EDUCATION PROGRAMS IN CALIFORNIA

R. F. 'Dick' Keefe

Principal Investigator

Prepared Under Grant 57-B201-80-3293-7100
to
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by the
California State Department of Education

Decision Development Corporation

Sacramento Area Office

EC140063

July 1980

Summary of Findings

1. The funding mechanisms established for distributing finances for special education programs in California have resulted in unequal State support for Master Plan and non-Master Plan school districts. Master Plan districts currently receive 41% more state funding than non-Master Plan districts.

2. School districts and county offices of education presently do not have equal opportunities to provide special education services to children. This is partly due to inequities in funding, but is more closely related to regulatory provisions which control the usage of funds and the services provided.

3. The development of the funding model to support the Master Plan for special education did not adequately account for varying needs of Responsible Local Agencies (RLAs to provide services as necessitated by local conditions. Nor did it allow sufficient latitude to account for pupils receiving more than one service. This resulted in an annual shortfall in statutorily prescribed funding for the Master Plan.

4. As a result of the annual shortfall in statutory funding, the method of allocating funds to Master Plan agencies has varied from year to year. This has caused inequities in the distribution of funds with some RLAs being overfunded and others underfunded.

5. The issue of whether or not the cost for non public shcool placement is greater or less than that incurred by public school placement cannot be resolved by a simple comparison of average cost per pupil. The largest percentage of non-public school placements is in the area of the learning handicapped and those placed in other programs are not sufficient in

number to compare to the full range of services offered in the public sector. Non-public school placements also include a small percentage of residential placements which have a tendency to skew the non-public school costs.

6. Any problems related to program overlap which might affect cost are of little consequence in terms of the overall cost of Special Education.

7. The passage of Proposition 13 has reduced the capabilities of local school districts to support special education programs to virtually a zero base without infringing upon local revenue which has been generated for use in the regular education programs. The non-existence of a tax base for special education in local districts prior to Proposition 13 means that none of the remaining tax funds to which a district is entitled were intended for use in special education programs and consequently should not be diverted from their intended use now. The one exception sould be that portion of the revenue limit for students assigned to special classes which is still included in the local share of funding.

8. Various studies have expressed a belief that full implementation of the California Master Plan for Special Education would increase the total cost of providing special education services to a prohibitive level. The anticipated increase is attributed to the assumption that the 11% enrollment cap of the Master Plan would include more children than might be expected otherwise. This may not be true, however, as Public Law 94-141 mandates services for all eligible pupils indicating the service level could increase to 11% regardless of the type of delivery system in effect.

Estimates of the State Department of Education project the cost per pupil of Master Plan districts to be $127 less than for non Master districts during the 1979-80 school year. If this is so then the projected cost to

provide special education services within the Master Plan concept would be less than if the services were provided in accordance with the current categorical structure.

9. Enrollments in Master Plan programs have fallen approximately 2.8% short of that which was expected each year during the phase-in schedule.

10. Neither of the two funding models currently in use in California would fully meet the needs of the state to adequately comply with provisions of Public Law 94-142 (PL 94-142) and at the same time remain within the limits of available funding. Funding for the current categorical programs is inadequate while the student eligibility standards are rigid and complex. Funding for Master Plan programs is also inadequate and this inadequacy is made more pronounced by the lack of appropriate eligibility standards.

11. In its final form S. B. 1870 has addressed most of the major issues discussed in this report. It appears to give consideration to such factors as local variables and geographic differences, variations in levels of service, equating growth with funding etc. It also indicates a series of internal controls which, when fully implemented, should work to stablize cost.

It does not appear that the issue of encroachment on local funds nor that related to capital outlay needs has been fully resolved.

12. Inclusion of the 10% funding limitation may eventually be challenged and found in violation of PL 94-142. It is believed that physical factors such as insufficient staff will limit additional enrollment sufficiently to protect this limit without stating it in the law. Internal controls on pupil-staff ratios, eligibility standards, and definitions of appropriate levels of service can also be effective cost control factors.

13. Present systems for reporting special education data do not

lend themselves to identifying specific high and low cost elements of special education programs with transportation being a major exception.

Summary of Recommendations

1. We recommend that funding for all school districts and county offices be equalized as rapidly as possible.

2. We recommend that some action be taken to permit districts equal opportunities to provide the same levels of special education services whether or not funding is equalized.

3. We recommend that every effort be made to insure a funding level high enough to support the services which are mandated, and that the funding level be reviewed annually and adjustments be made when a discrepancy is determined to exist.

4. We recommend that the State accept the full responsiblity for funding the full cost of special education programs that are in excess of funds to which a district is entitled through PL 94-142, and the local share of revenue limited funding for students in special classes and centers.

5. We recommend that the State Department of Education consider the annual shortfall that the current RLAs have experienced in projecting costs for any funding mechanism proposed for special education programs.

6. We recommend that the development of any new funding model contain provisions to guard against over and under funding and that if such inequities do develop, the State Department of Education be required to make the necessary adjustments within a specified period of time.

7. We recommend that the Department of Education take no action in regards to overlap of programs and services unless further evidence which is indicative of an existing problem is presented.

8. In the interests of economy the State should move toward a delivery system for special education that is comparable to the Master Plan in concept.

9. We recommend that the State Department of Education utilize data derived from the process for certifying non-public schools and make a cost comparison program by program after excluding the costs for non-public school placement in a residential setting.

10. We recommend that the State move as quickly as possible toward a delivery system that is comparable to the Master Plan for Special Education.

11. Any weaknesses or oversights of S. B. 1870 should be corrected with "Trailer" legislation at the earliest possible time. Those sections of the bill which related to evaluation, audits, and information should be given top priority by the Department of Education to ensure that necessary legislative and administrative changes can be initiated quickly and effectively when a need arises.

12. We recommend that SB 1870 not contain a 10% funding and that other provisions be put in the legislation to control costs.

13. We recommend that a system be developed for use in special education programs which isolates the high cost areas and permits an adequate evaluation of these cost items.